ESTABLISHING A VISITOR FACILITIES FUND IN THE NATIONAL PARK SYSTEM, AND MISCELLANEOUS AUTHORIZATIONAL CEILING INCREASES

HEARING

BEFORE THE

SUBCOMMITTEE ON
PUBLIC LANDS AND RESERVED WATER

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2715	S. 2755
S. 1349	S. 2756
S. 2752	S. 2757
S. 2754	H.R. 6290

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ESTABLISHING A VISITOR FACILITIES FUND IN THE NATIONAL PARK SYSTEM, AND MISCELLANEOUS AUTHORIZATIONAL CEILING INCREASES

FRIDAY, JULY 30, 1982

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 3110, Dirksen Office Building, Hon. Malcolm Wallop, presiding.

Present: Senators Wallop and Bumpers.

Also present: Tony Bevinetto, professional staff member; and Thomas B. Williams, professional staff member for the minority.

OPENING STATEMENT OF HON. MALCOLM WALLOP, A U.S. SENATOR FROM THE STATE OF WYOMING

Senator WALLOP. Good morning. The Subcommittee on Public Lands and Reserved Water will hear testimony on the following bills: S. 2715, to establish the National Park visitor facilities fund, and for other purposes; S. 1349, to amend the act of October 9, 1965 to make available for appropriation to the National Park Service franchise fees collected pursuant to this act; S. 2752, to amend the Pennsylvania Avenue Development Corporation Act of 1972 to authorize appropriations and further borrowings for implementation of the development plan for Pennsylvania Avenue between the Capitol and the White House, and for other purposes; S. 2754, to amend the act of August 7, 1961, providing for the establishment of Cape Cod Seashore, Mass., as amended; S. 2755, to amend the act of October 21, 1970, establishing the Sleeping Bear Dunes National Lakeshore, Mich., as amended; S. 2756, to amend the act of October 26, 1972, as amended, to increase the authorization of appropriations for Perry's Victory and International Peace Memorial National Monument, and for other purposes; S. 2757, to amend the act of March 10, 1966, providing for the establishment of the Cape Lookout National Seashore, N.C., as amended; and H.R. 6290, to increase authorizations of appropriations for land acquisition for Voyageurs National Park, Cape Cod National Seashore, Cape Lookout National Seashore, and Sleeping Bear Dunes National Seashore.

Without objection, I will place a copy of each of the bills in the hearing record. The hearing record will remain open for 2 weeks.

The subcommittee will hear testimony on S. 2715 and S. 1349 and then proceed to S. 2752, S. 2754, S. 2755, S. 2756, S. 2757, and H.R. 6290.

I would suggest, Russell Dickenson, at the conclusion of your comments on S. 2715 to summarize the rest so you don't have to remain.

I have a statement on S. 2715 which I think, in the interest of time, I will place in the record at this point.

[The prepared statement of Senator Wallop and the texts of the bills follow:]

STATEMENT OF HON. MALCOLM WALLOP, A U.S. SENATOR FROM THE STATE OF WYOMING

I have become increasingly aware of serious deficiencies in the physcial plant of the National Park System, and, especially, of the tremendous need for renovation and restoration of visitor facilities in our national parks. Many visitor facilities do not meet minimum health and safety standards.

S. 2715 would provide a means for addressing a number of these deficiencies.

The National Park Service, directly or through private concessioners, provides various visitor facilities ranging from backcountry campsites with no amenities to large hotels and lodges with a full complement of food, lodging, and other services. Under section 6 of the act of October 9, 1965, which sets forth National Park System concessions policies, concessioners who construct visitor facilities or add improvements to existing buildings under a concession contract are responsible for maintaining them, and they receive a possessory interest in the facilities. At the end of their contract, concessioners are entitled to just compensation for any possessory interest in the facilities which has arisen. From time to time, however, by purchase, donation, or Government-funded construction, the Government has acquired ownership of about 1,000 structures and is directly responsible for their maintenance. It is these 1,000 Government-owned and maintained cabins, motels, and food facilities to which this bill is addressed.

S. 2715 would permit the combination of revenues generated from National Park System franchise fees with private contributions and management resources to upgrade the quality of National Park visitor accommodations. Under the bill revenues received from concessioners' franchise fees, authorized by section 3 of the act of August 25, 1916, would be paid into a special fund, the National Park Visitor Facilities Fund, in the Treasury. Moneys from the fund would be available for appropriation to the National Park Service for grants to the National Park Foundation, a federally chartered foundation authorized, in the Act of December 18, 1967 (P.L. 90-209), to accept and administer gifts for the benefit of the National Park System. The Foundation, with the concurrence of the Secretary of the Interior, would provide for the construction, rehabilitation, or other improvement of those visitor facilities not subject to concessioners' possessory interests. Upon completion of the projects, all right, title, and interest in the repaired or improved facilities would vest in the United States. The fund, and the authorities provided to the Foundation by this bill, would expire after five years.

S. 2715, as introduced, the National Park Service would recommend projects to be undertaken by the Foundation. The Foundation would review each project, and determine the cost and whether the project could be financed within the amounts appropriated from the National Park Visitor Facilities Fund and received from donations. The Foundation could also recommend projects on its own initiative. Upon mutual agreement of the NPS, Secretary, and the Foundation, the Foundation would let contracts for construction of the approved projects pursuant to criteria established by the Secretary.

The National Park Foundation is a proven entity which has been supporting National Park Service programs with private funding since its creation by the Congress 14 years ago. By providing the Foundation with authority to undertake projects approved by the Secretary, I believe that the visitor facilities covered by this bill can be rehabilitated expeditiously, efficiently, and in a cost-effective manner. The National Park Foundation will be able to attract both cash and in-kind contributions, draw upon the business expertise of its Board members, and contract privately to accomplish the needed repairs. The net effect of the Foundation's participation in the improvement of the visitor facilities will be the maximization of the amount of repairs and renovations that will be completed with the moneys appropriated and the contributions received.

I believe that the revenues generated by park concession franchise fees should be earmarked in the National Park Visitor Facilities Fund to be available to repair and renovate national park visitor facilities. Earmarking funds will provide a readily identifiable source for funding visitor facilities renovations and repairs.

The bill addresses two concerns that might otherwise be raised by introducing the Foundation into the visitors facilities restoration process: (1) the role of the Foundation in resource protection; and (2) the role of the Foundation in concessions management.

The bill specifically states that its provisions will in no way alter the authorities and responsibilities of the Secretary for protection of the National Parks under the Act of August 25, 1916 (39 Stat. 535), as amended and supplemented. All actions or decisions of the Foundation, under the provisions of the bill, which the Secretary determines may affect visitors to, or the resources of, areas of the National Park System would be subject to NPS review and appeal.

Similarly, the bill specifically provides that the Secretary would continue to exercise all authorities and responsibilities for concessions management vested in him under the Act of October 9, 1965 (79 Stat. 969). The Foundation's sole function as to concessions would be to contract privately for the actual "bricks and mortar" repairs and construction of facilities according to needs identified by the NPS. Improvement made by the Foundation would become the property of the Federal Government.

The Department of the Interior estimates that revenues from concessions franchise fees would average approximately $6,000,000 per year. My bill would authorize not more than $5,000,000 of this amount to be paid into the Fund annually. The remainder would be credited to miscellaneous receipts of the Treasury. The bill would authorize a $4,000,000 annual appropriation from the Fund for grants to the Foundation, with an additional appropriation authorization of $1,000,000 from the Fund to be available for matching, dollar for dollar, both cash and in-kind contributions donated to the foundation for restoration and repair of visitor facilities. I believe that such appropriated funding, combined with Foundation contributions and management resources, will enable the Foundation to complete upgrading of approximately 1,000 of the facilities for which the Government is responsible. I estimate that approximately $30,000,000 in projects would be undertaken pursuant to the authorities of the bill during the five years in which the Fund would exist.

I believe S. 2715 would provide an imaginative and flexible method of improving Government-owned visitor accommodations in the parks, and I strongly recommend its enactment.

II

97TH CONGRESS
2D SESSION

S. 2715

To establish the National Park Visitor Facilities Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 1 (legislative day, JUNE 8), 1982

Mr. WALLOP (for himself and Mr. DOMENICI) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To establish the National Park Visitor Facilities Fund, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Park Visitor Facilities Fund Act".

SEC. 2. DEFINITIONS.—For purposes of this Act—

(1) "Foundation" means the National Park Foundation established under the Act of December 18, 1967 (81 Stat. 656);

(2) "Fund" means the National Park Visitor Facilities Fund established under section 3 of this Act;

(3) "Secretary" means the Secretary of the Interior; and

(4) "visitor facilities" means improvements in which no possessory interest is outstanding to real property within the areas of the National Park System used to provide food, lodging, or other services to visitors, including concessioners' employee dormitories.

SEC. 3. ESTABLISHMENT OF FUND.—There is hereby established in the Treasury of the United States the National Park Visitor Facilities Fund. Notwithstanding any other provision of law to the contrary, beginning October 1, 1983, there shall be covered into the Fund, National Park System franchise fees, including building user fees and other remuneration due and owing the United States for the privilege of providing visitory accommodations and services in areas of the National Park System, in an amount not to exceed $5,000,000 in any fiscal year.

SEC. 4. APPROPRIATIONS.—Beginning in fiscal year 1984, there is hereby authorized to be appropriated annually to the National Park Service from the Fund, to be made available for expenditure by the Foundation to carry out its functions under this Act, not more than $4,000,000, plus such sums not to exceed $1,000,000 as may be matched on a dollar-for-dollar basis by cash or in-kind contributions made to the Foundation for the purposes of this Act. Except as provided in section 8 of this Act, sums appropriated under this section shall remain available until expended.

SEC. 5. ADMINISTRATION OF FUND PROJECTS.—(a) The Secretary shall, as soon as practicable after the date of enactment of this Act, appoint three nongovernmental members of the National Park Foundation Board for a term to be established by the Secretary, who shall act as a committee of the Board to consider and recommend Fund projects to the Foundation. If a vacancy occurs on the committee, the Secretary shall appoint a nongovernmental member of the Board to serve the remainder of the unexpired term.

(b) Prior to the beginning of each fiscal year, the National Park Service shall submit to the committee detailed recommendations for the construction, rehabilitation, or other improvements of those visitor facilities qualifying for moneys from the Fund during the forthcoming year.

Following the committee's review, those recommendations having the concurrence of the National Park Service, the Secretary, and the committee, shall be submitted to the Board of the Foundation for its approval.

Any project undertaken by the Foundation shall be consistent with the purposes for which the park area where the project is sited was established.

(c) Upon approval by the Board, the Secretary shall make grants to the Foundation for the purpose of carrying out projects so approved. Such grants shall be derived from sums appropriated from the Fund pursuant to section 4. The Foundation shall administer such projects and expend Federal funds from such grants in accordance with applicable law and regulation. By undertaking to administer any project under this Act, the Foundation shall be deemed to have agreed that all right, title, and interest in any visitory facility with respect to which such project is carried out shall vest in the United States. The United States shall not be liable for any debts, defaults, acts, or omissions of the Foundation in connection with its activities under this Act.

(d) The Foundation shall include in its annual report to the Congress a description of Fund projects and the Foundation's accomplishments under this Act.

SEC. 6. AUTHORITY OF THE NATIONAL PARK FOUNDATION.—For the purposes of this Act, the Foundation, in addition to any other authorities it may have—

(1) shall have all necessary and proper powers for exercise of the authorities vested in it by this Act;

(2) may execute all instruments deemed necessary or appropriate in the exercise of any of its functions under this Act; and

(3) may expend a portion of moneys received under this Act for such reasonable personnel and inci-

dental expenses as are necessary to carry out its functions under this Act.

SEC. 7. RESPONSIBILITIES OF THE SECRETARY.—The Secretary shall continue to exercise all the authorities and responsibilities vested in him by the Act of August 25, 1916 (39 Stat. 535), as amended and supplemented, and the Act of October 9, 1965 (79 Stat. 969).

SEC. 8. EXPIRATION OF AUTHORITY.—The authorities contained in this Act shall expire on September 30, 1989. After that date, any moneys previously covered into the Fund under this Act which have not been appropriated, or if appropriated, which have not been obligated, shall be transferred to miscellaneous receipts of the Treasury.

II

97TH CONGRESS
1ST SESSION

S. 1349

To amend the Act of October 9, 1965.

IN THE SENATE OF THE UNITED STATES

JUNE 10 (legislative day, JUNE 1), 1981

Mr. BUMPERS introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Act of October 9, 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Act of October 9, 1965 (79 Stat. 969), is amended by adding the following new subsection:

"(e) Franchise fees collected pursuant to this Act shall be available for appropriation to the National Park Service, without prejudice to appropriation from other sources for the same purposes, for the restoration and improvement of units of the National Park System including construction and rehabilitation of physical facilities within such units.".

II

97TH CONGRESS
2D SESSION

S. 2752

To amend the Pennsylvania Avenue Development Corporation Act of 1972 to authorize appropriations and further borrowings for implementation of the development plan for Pennsylvania Avenue between the Capitol and the White House, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, JULY 12), 1982

Mr. MCCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Pennsylvania Avenue Development Corporation Act of 1972 to authorize appropriations and further borrowings for implementation of the development plan for Pennsylvania Avenue between the Capitol and the White House, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Pennsylvania Avenue Development Corporation Act of 1972 (86 Stat. 1266, as amended, 40 U.S.C. 871), is amended further as follows:

(1) By striking in paragraph (10) of section 6, the figure "100,000,000" and inserting in lieu thereof "120,000,000.".

(2) By adding at the end of section 17(a), "There are further authorized to be appropriated for operating and administrative expenses of the Corporation sums not to exceed $3,250,000, each, for the fiscal years ending September 30, 1984, September 30, 1985, September 30, 1986, September 30, 1987, and September 30, 1988.".

II

97TH CONGRESS
2D SESSION

S. 2754

To amend the Act of August 7, 1961, providing for the establishment of Cape Cod National Seashore, Massachusetts, as amended.

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, JULY 12), 1982

Mr. McCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Act of August 7, 1961, providing for the establishment of Cape Cod National Seashore, Massachusetts, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 9 of the Act entitled "An Act to provide for the establishment of Cape Cod National Seashore", approved August 7, 1961 (Public Law 87-126; 75 Stat. 293), as amended by the Act of May 14, 1970 (Public Law 91-252; 84 Stat. 216), is further amended by striking "$33,500,000" and inserting in lieu thereof "$40,567,575".

II

97TH CONGRESS
2D SESSION

S. 2755

To amend the Act of October 21, 1970, establishing the Sleeping Bear Dunes National Lakeshore, Michigan, as amended.

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, JULY 12), 1982

Mr. MCCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Act of October 21, 1970, establishing the Sleeping Bear Dunes National Lakeshore, Michigan, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 15 of the Act of October 21, 1970 (Public Law 91–479; 84 Stat. 1080), as amended by the Act of October 26, 1974 (Public Law 93–477; 88 Stat. 1445), is further amended by striking "$57,753,000" and inserting in lieu thereof "$67,449,557".

II

97TH CONGRESS
2D SESSION

S. 2756

To amend the Act of October 26, 1972 (86 Stat. 1181), as amended, to increase the authorization of appropriations for Perry's Victory and International Peace Memorial National Monument, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, JULY 12), 1982

Mr. MCCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Act of October 26, 1972 (86 Stat. 1181), as amended, to increase the authorization of appropriations for Perry's Victory and International Peace Memorial National Monument, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Act of October 26, 1972 (86 Stat. 1181), as amended by section 101, paragraph (21), of the Act of November 10, 1978 (92 Stat. 3472), is further amended by striking the phrase "not more than $9,327,000" and inserting in lieu thereof "$9,825,000".

SEC. 2. Section 5 of the Act of June 2, 1935 (49 Stat. 1393; 16 U.S.C. 433e), is hereby repealed.

II

97TH CONGRESS
2D SESSION

S. 2757

To amend the Act of March 10, 1966, providing for the establishment of Cape Lookout National Seashore, North Carolina, as amended.

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, JULY 12), 1982

Mr. MCCLURE (by request) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

To amend the Act of March 10, 1966, providing for the establishment of Cape Lookout National Seashore, North Carolina, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence in section 8 of the Act of March 10, 1966 (Public Law 89-366; 80 Stat. 33), as added by the Act of October 26, 1974 (Public Law 93-477; 88 Stat. 1445), is amended by striking "$7,903,000" and inserting in lieu thereof "$9,903,000".

II

97TH CONGRESS
2D SESSION

H. R. 6290

IN THE SENATE OF THE UNITED STATES

JUNE 15 (legislative day, JUNE 8), 1982

Received; read twice and referred to the Committee on Energy and Natural Resources

---

AN ACT

To increase authorizations of appropriations for land acquisition for Voyageurs National Park, Cape Cod National Seashore, Cape Lookout National Seashore, and Sleeping Bear Dunes National Lakeshore.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 401 of the Act entitled "An Act to authorize the establishment of the Voyageurs National Park in the State of Minnesota, and for other purposes", approved January 8, 1971 (16 U.S.C. 160k), is amended by striking out "$26,014,000" and inserting in lieu thereof "$38,314,000".

SEC. 2. Section 9 of the Act entitled "An Act to provide for the establishment of Cape Cod National Seashore", approved August 7, 1961 (16 U.S.C. 459b–8), is amended by striking out "$33,500,000" and inserting in lieu thereof "$40,000,000".

SEC. 3. Section 8 of the Act entitled "An Act to provide for the establishment of the Cape Lookout National Seashore in the State of North Carolina, and for other purposes", approved March 10, 1966 (16 U.S.C. 459g-7), is amended by striking out "$7,903,000" and inserting in lieu thereof "$9,903,000".

SEC. 4. Section 15 of the Act entitled "An Act to establish in the State of Michigan the Sleeping Bear Dunes National Lakeshore, and for other purposes", approved October 21, 1970 (16 U.S.C. 460x-14), is amended by striking out "$57,753,000" and inserting in lieu thereof "$66,153,000".

SEC. 5. (a) For purposes of section 7(a)(3) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-9(a)(3)), the statutory ceilings on appropriations established by the amendments made by this Act shall be deemed to be statutory ceilings contained in a provision of law enacted prior to the convening of the Ninety-fifth Congress.

(b) In determining amounts authorized to be appropriated pursuant to the amendments made by this Act, there shall not be taken into account any appropriations made available under section 7(a)(3) of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-9(a)(3)) before October 1, 1982.

Sec. 6. Any provision of this Act which, directly or indirectly, authorizes the enactment of new budget authority shall be effective only for fiscal years beginning after September 30, 1982.

Passed the House of Representatives June 14, 1982.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

By Thomas E. Ladd,
Assistant to the Clerk.

Senator **Wallop**. I have a statement from Senator Bumpers which he has asked me to place in the record on S. 1349.

[The prepared statement of Senator Bumpers follows:]

Statement of Hon. Dale Bumpers, a U.S. Senator From the State of Arkansas

Mr. Chairman, let me begin by expressing my thanks to you for scheduling this hearing today. I am especially pleased that S. 1349, my bill to earmark Park Service franchise fees for rehabilitation and restoration projects within units of the National Park System, is being considered.

One of the most serious problems currently facing the National Park System is the deterioration of a number of the parks' physical facilities such as roads, bridges, lodgings, drinking water and sanitation systems, campgrounds, visitor facilities, and so forth. Both the Congress and past adminsitrations have too long neglected the maintenance and rehabilitation needs of many of the physical facilities in our national parks, monuments, and recreation areas; and it is time we started doing something about it.

To the credit of President Reagan, one of the priorities of the new Administration in the area of natural resources has been an effort to address these needs and seek additional funding to correct these various deficiencies.

Unfortunately, the Administration continues to insist that this new program derive its funds from the Land and Water Conservation Fund. At present, the Land and Water Conservation Fund is the sole source of funding for the acquisition of park lands by Federal land managing agencies. Under the Administration's plan, the fund would be opened up to permit the use of these Land and Water Conservation Fund monies for park rehabilitation and restoration projects.

According to Secretary of the Interior, James Watt, the reason for recommending this particular source of funding for the program is to make less money available for land acquisition by making the agencies choose between acquiring lands mandated for acquisition by the Congress or repairing a deteriorating physical plant. I have indicated on a number of occasions that I find such a choice unfair and not in the public interest.

It is especially unfair to those who own property within park units, for many of those people do not know from one day to the next whether their property will be acquired. So far, to its credit, the Congress has refused to permit Land and Water Conservation Fund monies to be used in this manner. However, I continue to support the effort to make more funds available for the correction of health and safety deficiencies in our parks.

In this context, Mr. Chairman, S. 1349 is designed to make additional funds available to the Park Service for these projects. The legislation accomplishes this goal by earmarking franchise fees paid by concessioners operating in park units to be used for these purposes. Currently these fees, totaling some $5 million in 1982, are deposited in miscellaneous receipts in the Treasury. Under my bill, these funds would be earmarked and made available to the Park Service, subject to appropriation for the correction of health and safety deficiencies in our national parks.

This approach would serve two purposes. First, as I have said, it would make additional funds available for refurbishing our national parks. While the amount of money is not large, it is certainly significant and will contribute to reducing the backlog of rehabilitation and maintenance projects. Second, I would hope that this legislation would encourage the Park Service to reassess the method by which franchise fees are calculated so that the Federal Government receives a fair return for the privilege of operating in a national park.

Perhaps this approach will give the Park Service some incentive to reform the franchise fee system to more accurately reflect the value of operating within a national park.

Again, Mr. Chairman, I appreciate your scheduling this hearing today, and I hope that we can move this bill through the Committee in an expeditious manner.

Senator **Wallop**. I will ask Mr. Arnett, Mr. Dickenson, as well as Mr. Peterson, Mr. Bryant, Mr. Maughan, and Mr. Howe and Mr. Jarvis to come to the witness table.

STATEMENT OF HON. G. RAY ARNETT, ASSISTANT SECRETARY FOR FISH, AND WILDLIFE AND PARKS, DEPARTMENT OF THE INTERIOR

Mr. ARNETT. Thank you, Mr. Chairman. It is a pleasure, always, to be before your committee. With your permission, I would like to file my prepared statement for the record and summarize why we believe this legislation should be enacted.

First I would point out the buildings that the visitor facility fund would address. These are the cabins, motels and the associated structures that provide overnight accommodations for visitors to the National Park Service units. Responsibility for maintenance and repair is with the Park Service and not the concession operator.

There are about 1,000 such buildings nationwide. Most are located in perhaps 10 or 11 of our oldest established national parks. The relationship of this legislation to the Secretary's park restoration and improvement program should be made clear.

The program is a 5 year, $1 billion total effort to improve and repair all visitor facilities in the parks, with emphasis on health and safety related works such as water and sewer facilities, roads and bridge repairs and public buildings.

The visitor facility fund by definition will be only for the repair and improvement of overnight accommodations. Taken individually, each building would probably not come into high budgetary priority, but collectively these buildings are in need of serious repair.

This bill will funnel back concession franchise fees generated in the park by overnight accommodations to improve the accommodations themselves.

We believe that the National Park Foundation, with the access to its private financial experts, is an appropriate entity to contract for this work.

Under the bill, franchise fees from concessioners will be appropriated to the Secretary for grants to the National Park Foundation. The foundation will then use its expertise to contract privately for the construction that must be done.

In conclusion, Mr. Chairman, it is our desire to work on needed projects as soon as possible. We had planned on the basis that authority to make grants from the fund to the foundation would begin as soon as October 1, 1983.

We know, however, that under S. 2715 both the commencement of the fund and the authority to appropriate moneys from the fund began on October 1, 1983.

Thus, while the authority to appropriate project moneys will be in force, in fact, there will be no money to appropriate since the fund will have had no time in which to accrue deposits from franchise fees.

In order to begin appropriations for projects in October 1983, we believe the funds should begin accumulating in October 1982 or fiscal year 1983.

In this manner the fund would have a full year to build up its maximum dollar level. We would be happy to work with your committee staff on appropriate amendatory language to accomplish this.

Director Dickenson will be here to give a statement, and we will be glad to answer any questions you may have.

[The prepared statement of Mr. Arnett follows:]

Statement of G. Ray Arnett, Assistant Secretary for Fish and Wildlife and Parks, Department of the Interior, before the Subcommittee on Public Lands and Reserved Water, Senate Committee on Energy and Natural Resources, concerning S.2715, the proposed "National Park Visitor Facilities Fund Act" and S.1349, to amend the Act of October 9, 1965.

Good morning Mr. Chairman.

The Department of the Interior and the National Park Service strongly support and endorse the legislation introduced as Senate Bill 2715 by Senator Wallop for himself and Senator Domenici.

S.2715 would permit the combination of revenues generated from National Park System franchise fees with private contributions and management resources to upgrade the quality of national park overnight visitor accommodations. Under the bill, revenues received from concessioner's franchise fees--currently averaging about $5.2 million per year--would be paid into a special fund, the National Park Visitor Facilities Fund, in the Treasury. Moneys from the Fund would be available for appropriation to the National Park Service for grants to the National Park Foundation, a Federally chartered foundation authorized in the Act of December 1967 to accept and administer gifts for the benefit of the National Park System. The Foundation, with the concurrence of the National Park Service and the Secretary of the Interior, would provide for the construction, rehabilitation, or other improvement of those overnight visitor facilities not subject to concessioners' possessory interests. Upon completion of the projects, all rights, title and interest in the repaired or improved facilities would vest in the United States. The Fund, and the authorities provided to the Foundation by the Bill, would expire after September 30, 1989.

The program outlined in this proposed legislation will do nothing to impinge on the relationship of the National Park Service with our concessioners. Mr. Chairman, it is important for us not to lose sight of the fact that these buildings belong to the government. It is the National Park Service's legal responsibility and moral obligation to the over three hundred million visitors to the national parks each year to provide safe, sanitary and structurally sound overnight public accommodations. We are grateful for the opportunity to work cooperatively with the National Park Foundation on this very important project. We welcome their management expertise.

The Park Rehabilitation and Improvement Program funds which the Congress made available to the National Park Service for fiscal year 1981 and 1982 have been used in part to solve the most serious of the life safety problems in the larger hotels and motels throughout the National Park System. The statistics make it clear that the buildings that would be covered by this legislation are different ones-basically small units in cabin complexes or employee dormitories.

With this understanding, Mr. Chairman, the need for S.2715 becomes even more critical. Individually, each of these buildings cannot be dealt with by the separate parks when setting priorities. Proposals to accomplish the needed rehabilitation have tended to get knocked out along the line when other, more pressing, problems grab the available funding. Collectively, however, these buildings pose a significant risk that must be addressed. The legislation provides a focused, systematic way to get at these buildings and it gives us an expeditious method to attack a bothersome problem.

This legislation encourages private sector involvement both in allowing for matching contributions and also in project management. The net overall effect will be to substantially improve the level of service and safety for the visiting public.

Buildings Summary

Perhaps it would be of value at this point to describe the buildings eligible for inclusion in the Visitor Facility Fund.

Research has identified 1006 buildings as eligible for inclusion in the Visitor Facility Fund. 1/ Criteria for eligibility were:

1. The building must be government owned yet operated by concessioners, and the government is responsible for non-routine maintenance.

2. The structure should be primarily for overnight public accommodations or closely related support activities such as dormitories, utility buildings or restaraunts.

A. Geographic Location

All 10 NPS regions of the United States contain eligible buildings; 34 states are represented in the program; seventy-three parks made up the entire eligible population while over 50% of the buildings were found in only six parks: Grand Canyon, Olympic, Bryce Canyon, Glacier Bay, Grand Teton, and Mammoth Cave.

B. Building Usage

Over half (53%) of all eligible structures are used as cabins, an additional 10% are used as motels/hotels or apartments. Employee dormitories or residences account for another 8%. In sum 72%, or almost three of every four buildings, serve as some type of overnight facility. The additional 28% are support facilities.

C. Square Footage

Almost three quarters (74%) of all eligible buildings are less than 2,000 square feet in size. Four percent (4%) of the total are between 10,000 and 40,000 square feet, with the remaining buildings falling between 5,000 and 10,000 square feet.

1/ Because of the unique nature of the concessions contract executed recently between the government and TWA Services, Inc., at Yellowstone National Park, those buildings were excluded from consideration.

D. Historic Buildings

421 (41%) of all eligible buildings have some historic significance. However, only 173 (17%) of the buildings have been placed on the List of Classified Structures and of that total, only 5 (<1%) have been designated as a Class A, protected building. These historic structures will receive special consideration during the work write-up phase of the inspection.

E. Public Health and Sanitation

Working with the Public Health Service, it was determined that 18 buildings (2%) have food service operations which were marginal, marginal for consecutive years, or unsatisfactory. These buildings are to receive special attention in the inspection/inventory program for structural or mechanical deficiencies which could affect the concessioner's ability to provide sanitary food services to the public.

National Park Service Commitment

The National Park Service is strongly committed to seeing the Visitor Facility Fund program through to a successful conclusion.

The National Park Service has just begun a comprehensive inventory and inspection of all of its physical plant resources. This includes roads, bridges, dams, water and wastewater treatment systems, and 16,000 buildings.

Mr. Chairman, 70% of all VFF-eligible buildings will be inspected, inventoried, and work statements will be prepared by the end of calender year 1982. The remaining buildings will be examined and treatments proposed by mid-1983. Using this data, the National Park Service will be well prepared to establish priorities based on the National Park Service's analysis of the actual condition of the buildings and to begin the rehabilitation program quickly and effectively. Such analysis in two pilot parks, Mammoth Cave and Everglades, have been completed already. This was a major effort which involved the park concessioners, regional officials and the Washington staff. The results of the test are now becoming available. They are encouraging and already drawing praise.

An additional benefit from our inspection of Visitor Facility Fund buildings will be in developing building safety technology specifically for National Park Service buildings. The results will be used further in documenting the condition of the remaining 16,000 National Park Service buildings Servicewide.

This will be the first comprehensive Servicewide inventory of our physical plant. It will provide park staffs with supplemental access to highly sophisticated technical engineering skills in such areas as fire protection engineering or structural analysis. We took seriously the deficiencies pointed out to us in two General Accounting Office reports which investigated public overnight accommodations and concessions facilities in 1980.

The National Park Service has embarked on an inventory-inspection program using a management information system approach which will allow for constant updating and information sharing among all levels of management. It will provide accountability and will allow the proper scheduling of rehabilitation/repair work in cyclic maintenance and budgeting programs. A goal has been established to inventory and inspect all National Park Service buildings in five years. A program manager has been designated in the Headquarters Office to coordinate all efforts. Last, National Park Service appropriated funds have been earmarked specifically for this program to accomplish the necessary inventory/inspection work.

Position on S-1349

Mr. Chairman, there is also pending before your Committee S.1349, a bill to amend the Act of October 9, 1965. This bill would add a new subsection to the Concessions Policies Act providing that all franchise fees collected from concessioners shall be available for appropriation for the restoration and improvement of units of the National Park System. We recommend the enactment of the more comprehensive measure, S.2715, in lieu of S.1349 for several reasons: First, the amount of money dedicated to the improvement of facilities in S.2715 could be augmented under a matching formula which could provide up to $2 million annually in addition to the annual $4 million in revenues from franchise fees; second S.2715 specifically targets those facilities which provide overnight visitor accommodations and services, whereas under S.1349 the funds could be spent for virtually any construction purpose; and third, S.2715 makes use of the private management expertise and resources of the National Park Foundation to act as the government's agent to get the work done. The National Park Foundation is a proven entity, that has been actively supporting National Park Service programs with private funding since its creation by Congress 15 years ago.

Because the Visitor Facility Fund will let the National Park Service program committed monies five years ahead and make solid plans for correcting the deteriorated conditions of the National Park Service overnight accommodations, we feel this legislation can make a major contribution to the solution of our problems and recommend to you passage of S.2715.

FISCAL YEAR 1983 APPROPRIATION

Mr. Chairman, it is our desire to work on needed projects as soon as possible. We have planned on the basis that authority to make grants from the Fund to the Foundation would begin as of October 1, 1983. We note, however, that under S.2715 both the commencement of the Fund and the authority to appropriate moneys form the Fund begin on October 1, 1983. Thus, while the authority to appropriate project money will be in force, in fact there will be no money to appropriate since the Fund will have had no time in which to accrue deposits from franchise fees.

In order to begin appropriations for projects in October of 1983, we believe the fund should begin accumulating in October 1982, or FY 1983. In this manner, the Fund would have a full year to build up its maximum dollar level. We would be happy to work with your Committee staff on appropriate amendatory language to accomplish this result.

This concludes my prepared remarks.

Senator WALLOP. Thank you very much.

Mr. Dickenson.

Mr. DICKENSON. I have no prepared statement, Mr. Chairman. I will be prepared to help you in any way possible.

Senator WALLOP. Mr. Peterson.

STATEMENT OF RUDOLPH A. PETERSON, CHAIRMAN, EXECUTIVE COMMITTEE, NATIONAL PARK FOUNDATION, ACCOMPANIED BY JOHN L. BRYANT, JR., PRESIDENT

Mr. PETERSON. My name is Rudolph A. Peterson. I am the retired president of Bank of America, and subsequently succeeded the late Paul Hoffman as Administrator of the United Nations' development activities throughout the world.

I appear today in my capacity as chairman of the executive committee of the National Park Foundation. I am accompanied by John L. Bryant, Jr., the National Park Foundation's president and its chief operating officer.

We strongly support S. 2715 to create the visitor facilities fund or VFF. Briefly, the legislation provides for approximately $4 million for each of the next 5 fiscal years, with up to an additional $1 million of Federal funds annually if it is matched with private sector donations.

These funds will be used to meet the Government's responsibility to maintain and rehabilitate certain overnight visitor facilities in the national parks.

The program will be administered by the National Park Foundation. Since the legislation contemplates a major role for the National Park Foundation, I would like to tell you about the foundation and its board.

The National Park Foundation was chartered by the Congress in 1967 in Public Law 90-209, as the private sector adjunct to the National Park Service. The Foundation undertakes those specific responsibilities that are most appropriately accomplished by a private, nonprofit, tax-exempt entity which can operate as a Federal instrumentality.

I should note that the Foundation also serves as administrator of 21 different restricted funds, the proceeds of which are used, in cooperation with the National Park Service, for a variety of purposes in specific donor-designated national park areas.

And so, the National Park Foundation has operated to provide the National Park Service with private sector expertise and resources in circumstances that require the business and financial acumen of the Foundation's Board, as well as the flexibility inherent in its financial resources and its ability to marshal diverse administrative, consultative and management skills.

In accordance with the Foundation's enabling legislation, the Secretary of the Interior and the Director of the National Park Service serve as Chairman and Secretary, respectively, of the Foundation. The remaining 21 Board members who serve without compensation are private citizens appointed for 6-year terms by the Secretary of the Interior. Board members representing diverse backgrounds in business, banking, labor, law, administration, philanthropy, and publishing, all share an active commitment to the national parks.

In mid-1979, when John Bryant and J. T. Michelson and other Foundation Board members began to refine the concepts which have emerged as the visitor facilities fund, it became clear that to direct the VFF and similar important undertakings, the Foundation would need Board members with national reputations in finance and construction—persons accustomed to conceiving large projects and directing them to a successful conclusion.

Both Secretary Andrus and Secretary Watt have appointed eminently qualified Board members, thus assuring that the Foundation will have the requisite skills and vision to be of substantive benefit to the National Park Service. The listing of the National Park Foundation Board and their affiliations furnished for the record speaks for itself.

As you know, over the past few years, the Congress and the Park Service have addressed the problem of the deteriorating condition of physical facilities in our national parks. A good deal has been accomplished to upgrade facilities to meet health and safety standards, together with the new improvement of roads, trails, and sewer systems.

However, there is one special area which, by consensus, has not received sufficient attention, and that is Government owned overnight visitor facilities for which the maintenance or rehabilitation is solely the Federal Government's responsibility.

These buildings, mostly cabins and small motels and hotels, are an important part of the National Park Service's visitor accommodation structure.

Yet, they have consistently been overlooked in past major rehabilitation efforts. These are the very facilities that are used by families and others seeking simple and modest accommodations for their park visit.

The VFF legislation will provide both the funds and, more importantly, professional management mechanism to address the rehabilitation task.

It is believed that a significant number of these buildings currently need substantial improvement to assure visiting housing safety, and to achieve structural soundness.

S. 2715, therefore, provides an expeditious and economical means to remedy a serious situation.

In reviewing the inventory of visitor use facilities, three criteria were established by the National Park Service for rehabilitation through the VFF: One, the building is Government-owned; two, the building is used for overnight visitor accommodations or support services for visitors such as restaurants, and; three, the Government, not the concessionaire or operator is responsible for nonroutine maintenance or rehabilitation.

As has been mentioned, reviewing the more than 16,000 buildings located in national park areas, the National Park Service identified approximately 1,000 buildings as meeting these three criteria.

When I say that about 1,000 buildings would be eligible for VFF assistance, of course not all of these buildings would need assistance. Presently the National Park Service is surveying these structures and will establish priorities, as well as cost estimates for the work needed.

In the course of this survey, needs and costs will be further refined so that the VFF funds provided by the legislation will be used most efficiently.

While these buildings are located in all 10 regions of the National Park System, half of the buildings are located in just six national parks—Grand Canyon, Olympic, Bryce Canyon, Glacier Bay, Grand Teton, and Mammoth Cave. Approximately 700 of the buildings are used for overnight accommodations, of which about 500 are rental cabins.

Under the proposed legislation, the National Park Foundation will provide project management over the next 5 fiscal years to rehabilitate these overnight visitor accommodations.

By maintaining continuing oversight throughout the program, to which the National Park Foundation will give its highest priority, we will assure the efficient deployment of the financial and managerial resources available.

Because of its private, nonprofit status, the National Park Foundation is in a strong position to attract substantial private and corporate gifts of money and material to aid in the rehabilitation effort.

By integrating private-sector resources, the Foundation will assure that the Government funds committed to the VFF program will have the greatest possible effect, both in volume and in the timeliness of the work accomplished.

The Foundation endorses the provisions of the proposed bill which set very narrow parameters for both the task and the funding, to assure complete legislative oversight and accountability.

This legislation, a one-time, 5-year program with a limit on Government moneys channeled into the fund, will provide an orderly approach to the rehabilitation of Government-owned overnight facilities through management that is not subject to changes in program emphasis and funding within the National Park Service.

At the same time, in administering the fund, the National Park Foundation will act with full concurrence of the National Park Service and the Secretary of the Interior. I believe we all should concentrate on this narrow, but crucial, project if we are to improve conditions in overnight visitor facilities by 1989 when the program terminates.

If we do not act aggressively, we can expect only additional decline and exacerbation of today's problems, because these visitor facilities will continue to be overlooked in the press of other business.

Finally, it should be emphasized that the Foundation's role is clearly confined to the "bricks and mortar" aspects of rehabilitation and improvements to Government-owned overnight visitor facilities. Under this legislation, the National Park Foundation would not have any role in the National Park Service's concession policy overall, nor in either concession management, or in the negotiation of concession contracts.

These matters are the legislative mandate of the Department of the Interior, the National Park Service, and the individual concession operators.

The National Park Foundation believes it would be inappropriate to influence such matters, directly or indirectly, through its role in the visitor facilities fund. Rather, this is a construction program with a limited timeframe to accomplish the rehabilitation and improvement of a very narrow category of overnight facilities used by park visitors.

While this concept of a joint Government-private sector venture to accomplish what has been, until now, solely a Government responsibility, is an innovative one, the visitor facilities fund program has been carefully structured to assure success.

First, the total annual appropriation of Government funds is limited in the legislation to no more than $5 million. Financed with the concession franchise fee revenues, the improvement of these overnight accommodations will be supported by the visitors who use the facilities in the National Parks.

Second, the grant of Government funds will be made available to the National Park Foundation on a timely basis so that it can contract and pay for work in an orderly fashion, and not be subject to budgetary impoundments, cutbacks, or freezes.

Such a procedure is particularly important, not only for efficient cost-effective management, but also because many contractors welcome the certainty of payment in private sector ventures that are not subject to the Federal budget administration and price their bids accordingly.

Third, during the next 6 months, the National Park Service will be surveying the buildings which qualify for VFF assistance and will establish both priority and needs and cost estimates. The information from this survey, supported by the Foundation's private sector management and judgment in close coordination with the National Park Service and the Secretary of the Interior, will assure that the funds are spent judiciously, based upon complete information.

Fourth, over the past 15 years, since it was created, the Foundation has effectively administered all of its projects to benefit the National Parks without overstepping the bounds of its legislatively mandated authority.

Fifth, based on the commitment of the Congress, the Department of the Interior, and the National Park Service, the Foundation will actively urge private individuals and corporations to make their own contributions to this important program.

The National Park Foundation supports this legislation which is strictly limited in time, purpose, and Government funding. We strongly believe that this targeted, joint public/private-sector approach will get the job done.

Gentleman, I can assure you that the Board of the National Park Foundation is eager to lend its skills and to give its time to this program which will so tangibly benefit visitors to our national parks.

Thank you for this opportunity to testify in support of this innovative legislation. Let me express on behalf of the National Park Foundation our gratitude to Senator Wallop, Senator Domenici, and the members of this committee for their leadership and concern for the enhancement and improvement of America's national parks.

Senator **Wallop**. Thank you very much for a strong statement of support. Obviously, it is gratifying to us to see the Foundation work with us.

Let me return the compliment to you for the public services you've done with the Foundation.

John, did you have a statement?

Mr. **Bryant**. No, sir.

Senator **Wallop**. Thank you. The next speaker is Rex Maughan, chairman of the Conference of National Park Concessioners.

STATEMENT OF REX MAUGHAN, CHAIRMAN, CONFERENCE OF NATIONAL PARK CONCESSIONERS; ACCOMPANIED BY ALAN HOWE, WASHINGTON REPRESENTATIVE

Mr. **Maughan**. Thank you. I am Rex Maughan, Chairman of the Conference of National Park Concessioners. I have here with me today on my right Mr. Alan Howe who is our Washington representative, a former Member of Congress and a Washington attorney.

There are three members of my board who have helped prepare this statement; Mr. Trevor Povah, vice chairman who spent 36 years in the concession business and chairman of the board of Hamilton Stores in Yellowstone Park; Mr. Garner Hansen who has been 34 years in the concession business and is our secretary-treasurer. He is the president of National Park Concessions, Inc., and doing business in Mammoth Cave, Big Bend, Olympic, Isle Royal and Blue Ridge; Gaylord Staveley who is the director for the conference, has been 26 years in the concession business, president of Canyoners, Inc., at Grand Canyon and also chairman of the Professional Outfitters Association.

I am an active businessman involved in the national park concessions located at Glacier National Park, at Lake Meade, and Lake Mohave.

On behalf of the entire membership of the conference I express appreciation to you for the invitation to testify regarding this provision of S. 2715 to establish the national park visitor facilities fund.

I'd like to submit our statement for the record and summarize just a few of our comments.

The Conference of National Park Concessioners is an association of the business people and companies operating within the National Park System. Our membership numbers nearly 100 people or companies, including all the larger concessioners and many smaller ones.

It was instituted as a result of the suggestion of an Assistant Secretary of the Interior many years ago who had found it difficult to formulate policies for the development of concession operations in the national parks when having to deal with a myriad number of small concession groups.

When the conference started in 1919, it had both members of the Government and members of the concession group, but several years later it was decided that it would be better if the private business concessioners retained the organization structure and consulted with the Government officials.

Over the history of the concessions in the national parks many facilities have been provided for the services deemed necessary for the visitors. Concessioners who construct visitor facilities or add improvement to existing buildings under concession contract are responsible for maintaining them.

The concessioner's performance is monitored and rated by the National Park Service constantly. The concept has worked reasonably well over the years of its use. However, it is a fact that over the years the National Park Service has acquired ownership of about 1,000 structures and is, therefore, directly responsible for the maintenance. It is apparent that some of these structures are in need of renovation and restoration, or repairs if they are to continue serving some of the need for public and employee housing such as cabins, motels, and lodges, and in some cases those food facilities.

In some cases the needs are critical to their continued use. Some of these facilities are utilized by the concessioners in providing necessary visitor services for which the concessioner pays to the National Park Service, as part of its contract, a building user fee.

It is those types of facilities that are subject to the provisions of S. 2715, and to which I address the balance of my remarks.

S. 2715 provides in section 3 for the creation of the treasury of the national park visitor facilities fund in which would be received, commencing October 1, 1983, National Park System franchise fees, including building user fees and other remuneration due and owing the United States for the privilege of providing visitor accommodations and services in areas of the National Park System, in an amount not to exceed $5 million in any fiscal year.

We support the concept that moneys paid to the National Park Service through concessions operations ought to be available for specific use within the national parks, even though the moneys would still need to be annually appropriated for that purpose by the Congress.

While it is proper that needs in the national parks be addressed by revenue derived through services in the parks, it is apparent that much more revenue than currently generated through these services could be beneficially expended.

It is this point that has raised the question among national park concessioners whether or not this great need, beyond the stated limits of section 3 of the bill, might not provide an incentive for franchise fees, building user fees, and other fees to be increased to meet new demands.

After careful study of the bill, however, it is our understanding that this could not occur as a means of acquiring more revenue in the fund. Indeed, as we understand the bill, even though the fees might increase for other reasons, it would not be possible to channel more of those funds into the national park visitors facilities fund without first changing the limits of section 3.

It is our recommendation that a new paragraph be written in the bill restating the intent of Public Law 89-249 that franchise fees shall be subordinate to the objectives of protecting and preserving the areas and of providing adequate and appropriate services for the visitors.

We recognize that under section 4 of the bill the National Park Service is empowered to make available for expenditure by the National Park Foundation, for the purposes of the bill, not more than $4 million plus an additional amount up to a limit of $1 million as may be matched on a dollar-for-dollar basis by cash or in-kind contributions made by the National Park Foundation.

Therefore, if the $1 million in matching money were fully utilized by a successful dollar-for-dollar match, the maximum available in the national park visitor facilities fund in any 1 fiscal year period would be $6 million.

This scenario is probably unlikely if the Foundation makes its match partially by in-kind contributions, however. But whatever the total funding available for each fiscal year, if the appropriations are made for the entire authorization through the life of the fund, which continues through September 30, 1989, the impact of this total funding on the problems at hand is quite substantial.

Section 5 of the bill addresses the administration of the fund projects. While the question might be asked whether or not the responsibilities outlined for the committee and later the National Park Foundation Board are, in fact, ultimate responsibilities of the National Park Service, it is apparent that the arrangement has some distinct advantages in simplifying procedures for getting the projects completed.

It is clear in sections 6 and 7 of the bill that even though the National Park Foundation is the vehicle used to execute the projects, the Secretary of the Interior and the National Park Service have not abdicated their statutory responsibilities.

It will require the strong involvement of the National Park Service and the Secretary of the Interior for the Foundation to receive sufficient necessary direction so that decisions made are consistent with master plans already adopted and existing National Park Service policy and procedure.

We do have a specific suggestion for building good communications and smooth procedure for the selection of projects and their execution.

Good management practices in the National Park Service should certainly assure the active involvement of the concessioners affected by any of the projects contemplated for improvements. But, knowing that good intentions are not always assurance enough, we strongly urge that some language be added to the bill requiring the National Park Service to consult with existing concessioners within the affected unit regarding proposed structural improvements.

The benefits of such a cooperative approach are apparent and the potential for friction can also be easily seen without this valuable contribution. If the concessionaire were being asked to invest his money in the facility, there would be open dialog on the subject; and while that would not be the case in these Government-owned facilities affected by the fund, the concessionaire will, in many cases, be utilizing the facilities and paying a user fee to the National Park Service.

Another suggestion which I want to offer through the subcommittee to the National Park Service and the National Park Foundation is that the Conference of the National Park Concessioners would be pleased as a group to assist in any way possible to expedite the selection of the projects, the planning of the needed improvements, and execution of the work itself.

In conclusion, Mr. Chairman and members of the subcommittee, the Conference of National Park Concessioners supports the provisions of S. 2715 with our recommended changes, because we believe it is an innovative and creative way to solve the immediate problem before us. There may be difficulties in making the plan work perfectly, but we believe it can be examined as we proceed, and adjusted accordingly.

We stand ready to cooperate and assist in any way possible to the end that the National Park Service, the National Park Foundation and the American businessmen and women who have invested their time, money and talents in serving the growing number of visitors to our great National Park System, may accomplish their collective and individual tasks more satisfactorily.

Thank you for this opportunity to testify. I will be pleased to answer any questions which the Subcommittee may have.

[The prepared statement of Mr. Maughan follows:]

STATEMENT BY
CONFERENCE OF NATIONAL PARK CONCESSIONERS

BEFORE THE

SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

ON

S. 2715

JULY 30, 1982

PRESENTED BY

REX MAUGHAN, CHAIRMAN

Mr. Chairman and Members of the Subcommittee:

On behalf of the entire membership of the Conference of National Park Concessioners, I express appreciation to you for this invitation to testify before you regarding the provision of S. 2715, to establish the National Park Visitor Facilities Fund and for other purposes.

I am Rex Maughan, Chairman of the Conference of National Park Concessioners. I am an active businessman involved in National Park concessions located at Glacier National Park, Lake Mead and Lake Mohave.

The Conference of National Park Concessioners is an association of the business people and companies operating within the units of the National Park System. The membership, numbering nearly 100 people or companies, includes all of the larger concessioners and many smaller ones, as well. Joining the organization is voluntary, of course, and no major solicitation has been made to gain membership of every concessioner in the System. It was instituted as a result of the suggestion of an Assistant Secretary of Interior many years ago who had found it difficult to formulate policies for the development of concession operations in the national parks when having to deal with a myriad number of small concession groups. When the Conference started in 1919, it had both members of the government and members of the concession group, but several years later it was decided that it would be better if the private business concessioners retained the organization structure and consulted with the government officials. That has continued as the procedure to this time. Officials of the National Park Service freely consult with the Conference of National Park Concessioners, but are not members of the Conference.

May I express our appreciation to the Chairman and Members of this Subcommittee, as well as your colleagues who serve on the membership of the full Committee on Energy and Natural Resources, for your interest in the units of the National Park Service and particularly for the facilities and concessions provided in the units of the System to serve the visitors. Before discussing the specific provisions of S. 2715, I believe it would be useful to outline the types of facilities often needed within units of the System and the relationship of the private sector and the government regarding those facilities.

The concept of facilities within the Parks, operated by the private sector by contract with the government, actually predates the establishment of the National Park Service itself. The creation of the first National Park on March 1, 1872 when the Yellowstone National Park Act was signed, provided this language:

> "The Secretary (of the Interior)may, at his discretion, grant leases for building purposes, for terms not exceeding ten years, of small parcels of ground, at such places in said Park as shall require the erection of buildings for the accomdation of visitors."

The granting of these leases with freedom of competition within the Parks resulted in a promiscuous assortment of services; an assignment of overly large numbers of parcels of land, and objectionable competitive tactics to secure patronage which not only did not enhance, but reduced the pleasure of the visitor's experience to the Park.

In 1916, the National Park Service was created to protect and supervise the National Park System. The Act stated, in part:

> "The Service thus established shall promote and regulate the Federal areas known as National Parks, monuments and other reservations to conform to the fundamental purposes of said Parks, monuments and reservations, which purpose is to conserve the scenery and the natural and historic objects and the wildlife therein, and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations."

The Act further states:

> "The Secretary (of the Interior) may also grant privileges, leases and permits for the use of

> land for the accomodation of vicitors in the various Parks, monuments, or other reservations."

The first Director of the National Park Service, Stephen T. Mather, together with his assistant, Horace M. Albright, altered the system of free competition by introducing the concept of a prime concessioner to avoid the destruction to the Parks caused by the allocation of too much land and the unrestrained competition. The prime concessioner was authorized to provide a wide range of services under National Park Service regulation.

Following World War II when many concessions closed and visitor facilities were deteriorated, questions arose regarding the reinvestment needed in adequate visitor facilities. The private sector needed some additional security in order to justify their investment. Some advocated government acquisition of all facilities, but that concept found disfavor with the Congress. Through the reports of two groups, the Citizens Advisory Group (1946-1948), and the Outdoor Recreation Review Commission (1958-1962), the whole program of concession operations in the National Parks was examined in the two sessions of the 89th Congress which resulted in the establishment of the National Park Concessions Policy Act (P.L. 89-249).

That Act has several outstanding features which have made it possible for the private sector to justify investment in visitor facilities in National Parks, such as preferential rights to provide new services, preferential rights for contract renewal, and most importantly, a legal creation called possessory interest. Section 6 of the Act defines possessory interest as consisting of "all incidents of ownership except legal title which title shall be vested in the United States."

The concept of possessory interest has proved its worth as a security for investment by the private sector in the needed facilities in the National Park System. At the end of the contract term, concessioners are entitled to just compensation for any possessory interest in the facilities thus provided. The concept has been reviewed by the National Park Service, Department of Interior, Congress, and many independent evaluation groups since its inception, which have all generally agreed that it is a fair and sound way for the security of investment by the private sector.

Over the history of concessions in the National Parks many facilities have thus been provided for the services deemed necessary for the visitors. Concessioners who construct visitor facilities or add improvement to existing buildings under a concession contract are responsible for maintaining them. The concessioner's performance is monitored and rated by the National Park Service constantly. The concept has worked reasonably well over the years of its use.

However, now it is the fact that over the years, either by purchase, donation or government-funded construction, the National Park Service has acquired ownership of about 1,000 structures and is, therefore, directly responsible for their maintenance. It is apparent that some of these structures are in need of renovation, restoration, or repairs if they are to continue serving some of the needs for public and employee housing, such as cabins, motels and lodges, and, in some cases, as food facilities. In some cases the needs are critical to their continued use in the short term, and in others, a longer time frame could be adopted. Some of these facilities are utilized by the concessioner in providing necessary visitor services for which the concessioner pays to the National Park Service, as part of its contract, a building user fee.

It is these type of facilities that are the subject of the provisions of S. 2715 and to which I will address the balance of my remarks.

S. 2715 provides in Section 3 for the creation in the Treasury of the National Park Visitors Facilities Fund, in which would be received, commencing October 1, 1983, "National Park System franchise fees, including building user fees and other remuneration due and owing the United States for the privilege of providing visitor accommodations and services in areas of the National Park System, in an amount not to exceed $5,000,000 in any fiscal year."

We support the concept that monies paid to the National Park Service through concessions operations ought to be available for specific use within the National Parks, even though the monies would still need to be annually appropriated for that purpose by the Congress. While it is proper that needs in the National Parks be addressed by revenue derived through services in the Parks, it is apparent that much more revenue than currently generated through these services could be beneficially expended. It is this point that has raised the question amongst National Park Concessioners whether or not this greater need, beyond the stated limits of Section 3 of the bill, might not provide an incentive for franchise fees, building user fees and other fees to be increased to meet new demands? After careful study of the bill, however, it is our understanding that this could not occur as a means of acquiring more revenue in the Fund. Indeed, as we understand the bill, even though the fees might increase for other reasons, it would not be possible to channel more of those funds into the National Park Visitors Facilities Fund, without first changing the limits of Section 3.

It is our recommendation that a new paragraph be written in the bill restating the intent of P.L. 89-249 that franchise fees shall be subordinate to the objectives of protecting and preserving the areas and of providing adequate and appropriate services for visitors.

We recognize that, under Section 4 of the bill, the National Park Service is empowered to make available for expenditure by the National Park Foundation, for the purposes of the bill, not more than $4,000,000, plus an additional amount up to a limit of $1,000,000, as may be matched on a dollar-for-dollar basis by cash or in-kind contributions made by the National Park Foundation. Therefore, if the $1,000,000 in matching money were fully utilized by a successful dollar-for-dollar match, the maximum available in the National Park Visitor Facilities Fund in any one fiscal year period would be $6,000,000. This scenario is probably unlikely if the Foundation makes its match partially by in-kind contributions, however. But whatever the total funding available for each fiscal year, if the appropriations are made for the entire authorization through the life of the Fund, which continues through September 30, 1989, the impact of this total funding on the problems at hand is quite substantial.

Section 5 of the bill addresses the administration of the Fund projects. While the question might be asked whether or not the responsibilities outlined for the Committee and later the National Park Foundation Board are, in fact, ultimate responsibilities of the National Park Service, it is apparent that the arrangement has some distinct advantages in simplifying procedures for getting the projects completed.

It is clear in Sections 6 and 7 of the bill that even though the National Park Foundation is the vehicle used to execute the projects, the Secretary of Interior and the National Park Service have not abdicated their statutory responsibilities. It will require the strong involvement of the National Park Service and the Secretary of Interior for the Foundation to receive sufficient necessary direction so that decisions made are consistent with master plans already adopted and existing National Park Service policy and procedure. We do have a specific suggestion for building good communications and smooth procedure for the selection of projects and their execution.

Good management practices in the National Park Service should certainly assure the active involvement of the concessioners affected by any of the projects contemplated for improvements. But, knowing that good intentions are not always assurance enough, we strongly urge that some language be added to the bill requiring the National Park Service to consult with existing concessioners within the affected unit regarding proposed structural improvements. The benefits of such a cooperative approach are apparent and the potential for friction can also be easily seen without this valuable contribution. If the concessioner were being asked to invest his money in the facility there would be open dialogue on the subject and while that would not be the case in these government-owned facilities affected by the Fund, the concessioner will, in many cases, be utilizing the facilities and paying a user fee to the National Park Service.

Another suggestion which I want to offer through the subcommittee to the National Park Service and the National Park Foundation, is that the Conference of National Park Concessioners would be pleased as a group to assist in any way possible to expedite the selection of the projects, the planning of the needed improvements, and execution of the work itself.

In conclusion, Mr. Chairman and Members of the Subcommittee, the Conference of National Park Concessioners supports the provisions of S. 2715 with our recommended changes, because we believe it is an innovative and creative way to solve the immediate problem before us. There may be difficulties in making the plan work perfectly but we believe it can be examined as we proceed and adjusted accordingly. We stand ready to cooperate and assist in any way possible to the end that the National Park Service, the National Park Foundation and the American businessmen and women who have invested their time, money and talents in serving the growing number of visitors to our great National Park System, may accomplish their collective and individual tasks more satisfactorily.

Thank you for this opportunity to testify. I will be pleased to answer any questions which the Subcommittee may have.

Senator **Wallop**. Thank you very much. We appreciate your testimony.

STATEMENT OF T. DESTRY JARVIS, DIRECTOR, FEDERAL ACTIVITIES, NATIONAL PARKS AND CONSERVATION ASSOCIATION

Mr. **Jarvis**. Thank you, Mr. Chairman. It is a pleasure to be before the subcommittee again, particularly to testify in favor of the bill that we think will be very beneficial to the National Park Service and the facilities therein for visitors.

I would like to indicate that this is not a new concern of NPCA. In 1975, we published a report entitled, "Shortchanging the National Parks." That was as a result of a survey systemwide of the deteriorating condition of facilities and services around the National Park System. This report induced the Operations Committee to conduct an investigation producing a report called "The Degradation of the National Parks." That, again, focused on the facilities.

In the midsummer of 1976, President Gerald Ford gave a speech that you may have attended, Senator Wallop, in Yellowstone, in which he announced to put about $6 million into restoration and rehabilitation and maintenance of park facilities.

In the first 2 years of the Carter administration about $200 million of that Bicentennial Heritage program money was appropriated for park facilities. Thereafter the program was dropped or neglected, and the rest of the projects were not completed.

Upon taking office, Secretary Watt announced the park restoration improvement program based on an inflated report from the

General Accounting Office that indicated $1.2 billion in backlog needs in maintenance.

Nevertheless, the program now underway is a continuation of a well documented need, and one that we have been concerned about and trying to see brought about.

I want to summarize my statement with nine distinct points. The first is that we strongly support the earmarking of the franchise fees paid by the concessioners for the privilege of operating in the national parks.

Connected with that, the second point is that the fund thus authorized by the legislation should be, and appropriately as limited in its scope. We don't believe that the small amount of money available from franchise fees can make a significant dent in the overall maintenance needs of the National Park Service. Thus, carving out a distinct subset of those needs and applying this limited funding to that is most appropriate.

In relation to that, I should add that setting up this fund is a desire to make sure that the Park Service is gaining the appropriate franchise fees from the concessioners for the privilege of operating in the park, and by the combination of earmarking the funds and focusing the use of those funds.

My fourth point is we believe, unlike the provision of section 3, the cap proposed in S. 2715 should be removed so that all of the franchise fees collected by the National Park Service are deposited in the visitor facility fund. This will not only enhance the capability of the fund to fulfill its limit scope of function, and will provide an incentive to the National Park Service to insure that they are collecting adequately the franchise fees that are appropriate.

The fifth point is that the proposal to match the last million, and by lifting the cap, in our judgment, would still require matching the last million is a good one. It does provide external capital for these needs and we support that provision.

My sixth point is that the provision in the bill in section 8 plays as a sunset on the program and should be removed. We don't believe that the fund in 5 years will be able to accomplish all of the needs for these facilities, even if every facility that is now in a deteriorating condition could be repaired in 5 years, which I doubt, there will be other facilities 5 years hence that are needing repair. We don't believe that the Park Service needs another quick fix. What's needed is a continuing program with dollars applicable to base needs and facility maintenance continuing through the future. Putting a sunset provision in the bill simply means that they will scramble to do projects in 5 years, and then the funding is gone, the program is gone, and we are back to where we started maybe 4 or 5 years after that when the buildings start to deteriorate again.

My seventh point, and perhaps the most important one that I can make, is a provision needs to be added to the legislation specifically tying projects undertaken by the fund and the Foundation to approved general management plans in each individual park. It's not totally sufficient merely to say that the projects must be in compliance with the purposes of the park.

Each unit of the park system has a general management plan. The Park Service has a very carefully laid out elaborate procedure they go through in developing these plans with public involvement.

Once approved, then the fund and the Foundation would appropriately apply.

I might add, we did some checking and there is only one unit to which this fund would apply that has a substantial number of buildings which does not, at present, have an approved general management plan. That is Glacier Bay National Park in Alaska, and it is slated for approval in January 1983. It's well in time for inclusion in the program.

Nevertheless, we feel that projects undertaken by the Foundation should be tied to approved general management plans.

My eighth point is that I would like to emphasize the importance of the Park Service's list of classified structures. These are the structures in the parks that have some historical significance. About ten percent of the 1,000 structures eligible for funding by the visitor facilities fund are on the list of classified structures.

I don't believe it is necessary to write a provision into the bill. However, it would be desirable to see some report language from the committee emphasizing the importance of those facilities that have some historical significance for, perhaps, a slightly higher priority in funding from the visitor facilities fund.

In this regard, I would like to again point out that my own organization has a concern about these structures. In the past 2 years we established within our organization a threatened facilities fund. We raised for our first project $60,000 to restore the visitor center of Bandelier National Monument in New Mexico. All of those funds were raised in the State of New Mexico from citizens and corporations and foundations concerned about visitor facilities. It is a historic structure, and I just want to emphasize the importance of this list of classified structures and the need to give some priority there.

Finally, Mr. Chairman, I can't leave the subject of facilities alone without speaking to the point of balance in the program. Several of the initiatives, the only initiatives of the administration in regard to the Park Service have focused on facilities. There is another side to that, and that is the natural and cultural resources of the national park system.

We believe that while the facilities are important, they need to be restored. The facilities need to be available to the visitor. More fundamentally is the condition of the resources of the parks.

The National Park Service's first park report in 1980 emphasized the critical, and in many cases, threatened condition of many of the park resources.

While it is not appropriate to address it in the pending legislation, I merely point out the facilities alone will not assure the preservation of the parks in the future. What good does it do to restore the facility if the resources are deteriorating? This is not meant as criticism at the present administration, because these problems have crept into the system over the last 15 or 20 years at a minimum. I should say that Assistant Secretary Arnett is to be commended for a memo that he sent to the Director earlier this week in which he places new emphasis on the need to monitor and respond to the new perceived threats to the park resource. I am merely attempting to point out that there is a need for balancing between restoring and maintaining the facilities and caring for the resource of the parks.

We would like to encourage the committee to look at possible actions that could be taken of a legislative nature, and with regard to adequate appropriations in the future for resources management and resource threats in the national parks.

In conclusion, it is a pleasure to come before the committee and support S. 2715 with the three or four changes that I have suggested.

We think it will be a very worthwhile program for the future of the national park system. Thank you, Mr. Chairman.

[The prepared statement of Mr. Jarvis follows:]

NPCA

STATEMENT OF T. DESTRY JARVIS
DIRECTOR OF FEDERAL ACTIVITIES
NATIONAL PARKS & CONSERVATION ASSOCIATION

BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS & RESERVED WATER
U.S. SENATE

ON
S.1349 & S.2715

July 30, 1982

Mr. Chairman and other distinguished Members of the Subcommittee:

I am T. Destry Jarvis, Director of Federal Activities for the National Parks & Conservation Association, located at 1701 18th St., NW, Washington, D.C. 20009. We appreciate the opportunity to testify before the Subcommittee today on a subject which has been of great concern to NPCA for many years.

In communication with, and testimony before this Subcommittee in past years, NPCA has repeatedly called for a reassessment of both the manner in which National Park Service concessions are managed, and the manner by which the National Park Service funds routine facility maintenance and construction. The two bills before the Subcommittee today, S.1349 and S.2715, represent the first, though still small, step to be taken toward addressing these two important problems.

In 1979, NPCA proposed establishment of a National Park Facility Investment Fund of $100 million. At that time we stated that:

> Resources of the fund would be available for acquisition of facilities or possessory interests therein, or for the construction of new facilities when the Park Service determines that they would be needed pursuant to their general management planning process.
>
> Provision would be made for leasing facilities constructed with monies from this account to private operators for commercial operation of necessary visitor services. No possessory interests would be granted since all capital investments would be carried out through this fund. Rental or franchise fees paid by the leasees would be set at a level to cover interest and amortization on the investment, maintenance, insurance and other expenditures and would be paid directly into the new facilities fund.

In 1980, we proposed a National Park Service Public Benefit Corporatoin, modeled after the United National Development Corporation, to be chartered by Congress, and enabled to act independently in the maintenance, construction, relocation, and acquisition of possessory interests of concessions in the parks.

The proposals before the Subcommittee are much scaled back from these earlier proposals. But with only a few amendments, the bills can be viewed as a good first step toward both reform of concessions policy, and providing for maintenance of governments - owned park visitor facilities.

We strongly support the idea of "earmarking" the franchise fees paid by concessioners for the priviledge of operating in the parks, and utilizing the funds to help defray the maintenance costs of park facilities. At a time of severe budget constraints, when the NPS does not have sufficient money or staff to accomplish its base mission at its accustomed high standard, it is appropriate and necessary to develop new funding sources. It is similarly appropriate to direct franchise fees back to the NPS, for facility maintenance.

Since the present, and likely potential pool of franchise fee funds is rather limited, these funds should be directed toward very specifically limited activities. These funds cannot hope to make even a minor dent in the construction and maintenance needs of the NPS. Therefore the concept of S.2715, limiting the use of the funds to visitor facilities, rather than more broadly to "restoration and improvement of parks" as provided in S.1329, is more realistic and workable. In addition, the existence of an earmarked fund applicable to park improvement generally, could at some future time, be used as an excuse to reduce, or at least not increase, NPS general funding from the Treasury. Whereas a narrowly defined Visitor Facility Fund (VFF) should not be subjected to this pressure.

It is imperative that the establishment of any new Fund of this sort result in an increase in funding for park needs, not just an offset, or an excuse to appropriate less from the Treasury The national parks are a legacy for all Americans, present and future, and it is very appropriate that the great bulk of their funding come from the Treasury.

By the same token, the provision of S.2715 which puts a cap on monies conveyed into the Fund of $5 million, is both too restrictive, arbitrary, and counterproductive to the best interests of ensuring that NPS is diligent in collecting the maximum appropriate fees from the concessioners. The cap, found at the end of section 3 of S.2715, should be eliminated, and all franchise fees collected by NPS conveyed into the Fund, while retaining the requirement that the National Park Foundation match the last million each year in order to get full funding. The inclusion of the requirement of the match (sec. 4 of S.2715) is meritorious, and the availability of the extra million dollars which this requirement would pr [illegible] is one of the major reasons for NPCA's support of this bill

Similarly, we disagree with the provisions of Sec. 8 of S.2715, the effect of which would be to abolish the Fund in five years. It seems clear to us that the need for such a Fund will be ongoing. Certainly its tasks cannot be fully accomplished in five years. Even if all of the buildings which need an infusion of rehabilitation funds could be repaired in the next five years, which I doubt, surely there will be others five years hence needing repair. What is needed even more than a "catch-up" repair program, is one which will adequately provide for the routine, cyclic maintenance of these facilities, so that they do not get in a run-down condition again.

By far, our greatest concern with S.2715, or any other proposal which would set up an entity outside the National Park Service for carrying out functions which are the responsibility of the Service, is that the bill must include a provision requiring that the Foundation may not engage in any project that has not been previously provided for in an approved general management plan for the park. All management decisions in the parks, particularly all decisions relating to facility construction, relocation, and operation, are made during the general management planning process. The establishment of the Fund should not provide a parallel mechanism for the construction or even for major rehabilitation of any facilities outside the normal NPS decision-making process, which is the process utilized in the development of the general management plan for each park. Inclusion of such provision requiring compliance with the specific park GMP should not inhibit the Foundation from moving ahead with its projects. It is our understanding that there are seventy-three units of the System with facilities which would be eligible for VFF funds, of which only twelve do not now have an approved GMP, and only one of these, Glacier Bay, has any substantial number of buildings. The GMP for Glacier Bay is currently slated for completion in January 1983.

This proposed amendment would appropriately be included in Section 5, Administration of Fund Projects, of S.2715, and would read as follows:

> "Any project undertaken by the Foundation shall be in accordance with appropriate sections of the current, approved general management plan of the park area where the project is sited."

As a technical matter, the last sentence of Section 5(b) is unclear as to its intent, and should be rewritten. There is no legislative or administrative history associated with the "purposes" for which specific locations within each park were included in the park boundary. As you know, the "purposes" for an NPS unit are broadly stated, and encompass the significance of the entire unit, rather than sites within each unit. This sentence could be worded:

> "Any project undertaken by the Foundation shall be consistent with the purposes of the park in which the VFF project is located."

I wish to reiterate that this provision, alone, is not sufficient, and must be coupled with the earlier suggestion requiring compliance with the approved general management plan for the park.

It would be most desirable, though it need not be in the statute (the Committee report would suffice) if some priority in the selection of VFF projects could be given to those buildings which are qualified for inclusion on the NPS "List of Classified Structures." It is our understanding that about 10% of the buildings eligible for VFF monies are on this list of historic structures. Since these buildings have special significance, it would be desirable to ensure that VFF monies take care of their problems as soon as possible. Naturally, proper safeguards must be taken to make certain that the historic fabric of these buildings is not destroyed in the process of rehabilitating them.

In conclusion, with incorporation fo the above mentioned changes and clarifications, NPCA supports the establishment of a Visitors Facility Fund, administered by the National Park Foundation. However, I cannot in good conscience conclude my testimony without observing that while the Administration has taken the initiative in several areas dealing with park facilities and visitor use in the parks (i.e., the Park Restoration and Improvement Program, and now the VFF), it continues to give lower priority to, and in some cases ignores, even more urgently needed action to resolve serious park resource management threats, many of which were identified in the 1980 State of the Parks Report, and in the April, 1982 Threats to Cultural Resources Report, While the restoration and maintenance of existing facilities is needed, the more important aspects of the parks are their resources, which cannot survive if they continue to be assaulted from within and without. Both the Administration and Congress should give close scrutiny to these resource needs. Most of the internal threats can be resolved by judicious increases in staffing and funding or resources management, and by some alteration of policy. Most of the external threats are, unfortunately, beyond the NPS authority to resolve.

As a related aside, I would like to emphasize the importance of the List of Classified Structures, and the deteriorated condition of many of these important buildings, by pointing out that my own organization has in the past two years, established a "Threatened Facility Fund" in an effort to raise private donations to rehabilitate or restore historically significnat properties on the List of Classified Structures. In the first major project of this Fund, we have raised over $60,000 to restore several properties on the List in Bandelier National Monument, New Mexico, which are used for the area's visitor center.

Although this effort is on a considerably smaller scale than that contemplated for the VFF, I merely want to assure you that while NPCA has been critical of the Administration's lopsided priorities on facilities, which have virtually ignored natural and cultural resources, we are also cognizant of the condition of many park facilities, and have engaged in efforts of our own to help alleviate this problem. As long ago as 1975, NPCA documented the deteriorating condition of many park facilities in our report, "Shortchanging the National Parks." This effort resulted in an investigation by the House Government Operations Committee, which produced the report, the Degradation of the National Parks, in July 1976, and led directly to former President Jerry Ford's initiative called the "Bicentennial Land Heritage Program (BLHP)." The BLHP called for an infusion of nearly $600 million into the parks for facility maintenance and construction. Former President Carter, taking up the call for park maintenance, funded the first two years of this program, for about $200 million, but then the program was dropped.

This long established need, accompanied by a name change to "Park Resotration and Improvement Program" (PRIP), and a massive dose of rhetoric, was taken up by Secretary Watt as his major "new" initiative for the parks. Whatever the condition of park facilities, and the need to restore them, this cannot be done in isolation from the resource management and protection needs of the parks, including land acquisition within the authorized boundaries of established units of the National Park System. What is needed is a balanced approach to protection, management, maintenance and use of the units of the National Park System on a sustainable basis. Another quick-fix, short-term program is not the answer, and in the long run, would be counterproductive.

We appreciate the opportunity to appear before the Subcommittee today, Mr. Chairman, and would be happy to answer any questions.

Senator **Wallop**. Thank you, Mr. Jarvis.

Director Dickenson, let me ask you just as a professional opinion if there is any other category of building that should be included in this that is not?

Mr. **Dickenson**. I think not in this special initiative, Mr. Chairman. The park restoration and improvement program has, as one of its objectives, dealing with other types of administrative and visitor use and support facilities outside of this specific category.

Senator **Wallop**. Given the expected revenues, and in light of what Mr. Jarvis has said, and given limited life of the proposal, is there enough money to do the job, assuming that it follows present authorized levels?

Mr. **Dickenson**. We don't know that for sure at this particular stage. Seventy percent of the buildings would be surveyed from an engineering standpoint by the end of September, and 100 percent by the end of the year. By that time we will know of the full dimension of the problem.

Looking at it from another standpoint, Mr. Chairman, here we are with a 5-year program with an expected infusion of funds in the $25 million range. I guess my view is if the $25 million hasn't successfully concluded the problem, then Congress can again extend the program at that time to insure that we do get the maximum out of this initiative.

Senator **Wallop**. That is one of the reasons for the sunset, to see how it works as a concept. I very much like the concept.

We have talked and tried to dedicate a variety of fees to the parks, including entrance fees in some parks. I would hope and anticipate that at the end of 5 years if it has done its job well, we can access how much it makes. If it has essentially accomplished what has been set out, maybe we ought to be able to transfer it to another piece of the park restoration, maintenance, or resources.

My initial reaction is to keep the sunset and view it down the road a little bit and see, because I don't believe we will have any trouble extending it if it's going well. If it is not going well, whether we have extended it or not, we may have a hard time hanging on to it.

Let me ask you one thing to Director Dickenson or Mr. Peterson: If we tie it to the improved general management plans, will it be tying unnecessarily the hands of the foundation itself, especially in light of your remarks that we might put a higher priority on the restoration of historical buildings through report language? If we tie it to a general management plan, I just wonder if the flexibility which is so important to this concept may not be lost in some measure.

Mr. **Jarvis**. If the Park Service has done its job properly, the general management plan will put the priority on the historic structures.

Senator **Wallop**. Yes; but I'm still talking about one of the things that we seek out of this is the ability to contract and to move it where needs may be most apparent in a given park in a given time, and tying it to a general management plan, I guess I just toss it out to the panel at large. It just seems to me that one of the great benefits that I perceive of this is the flexibility that the foundation would have in directing resources that it collects.

Mr. **Dickenson**. Mr. Chairman, of course that is an important feature of this arrangement with the foundation—the increased flexibility that it gives us to attack these problems. I hasten to point out that I don't believe you or any member of the committee need fear the linkage with the general management plan. That is an overall guide for the development of the park.

What we are dealing with here is primarily a rehabilitative effort. Maintenance—rehabilitation—is the primary thrust, not the introduction of new facilities and locations.

Therefore, from a professional standpoint the linkage with the general management plan provides a safeguard that should not be viewed as an impediment.

Senator **Wallop**. So you would approve of adding the provision?

Mr. **Dickenson**. Yes, sir.

Senator **Bumpers**. I might make a couple of comments, Mr. Chairman. I think the bill is close enough that we are not going to have any difficulty reconciling the differences. I'm inclined to agree with Mr. Jarvis about the sunset provision. I wouldn't raise a lot of cain about having the sunset provision in it, but I am a little worried about one of those kind of one shot approaches to this thing. I would think it would be better for everybody involved if they knew that this was going to be a continuing fund. They would be able to plan ahead if they knew that funds were going to be available to accomplish certain things.

The second thing is I would be reluctant to put a cap on the amount of money. I mean, why $5 million? If we have $10 million, why not let that go into the fund? There is nothing magic about $5 million, and based on what needs to be done $5 million is just a drop in the bucket.

So, if there happens to be $6 or $7 or $8 million I think it all ought to go into the fund. As strapped as we are for money, and as deteriorated as the conditions are in some of these areas, those two things don't make any sense if we are really serious about trying to rehabilitate and upgrade some of those facilities. I have a lot of faith that the Foundation will do the best it can. However, I do think the work that the Foundation does ought to be in keeping with the general management plan for that park. I wouldn't expect that to be any great difficulty either. Would you, Mr. Peterson?

Mr. **Peterson**. No. I don't think it's a problem. However, I would say I think in the context in which we speak that generally the members of the Board are kind of—well, they kind of work on the sunset concept. In other words, we are satisfied that this job can be done and done effectively and efficiently. We welcome review by Congress and review by the executive end, and we would like to say 5 years is plenty of time to establish that we are either doing a job or we are not.

I mean obviously these men have other things to do, and unless they are doing something constructive they would rather not be part of it. They would like to establish the fact once and for all that this is as good as we think it is.

Senator **Bumpers**. How big is the governing Board of the Foundation?

Mr. **Peterson**. It's 21 all together. I might say the Executive Committee there are five of us who would oversee and make the recommendations. The Executive Committee will be composed of some of these gentlemen like Mr. Gibson who have been in this activity, and who have joined the Foundation Board in the last couple of years. The Secretary of the Interior, in each instance, has selected them on the basis that they have some background and would be familiar with what the problem is. I think they will be the first to tell you that they welcome the idea of the sunset provision.

Let's establish that this thing either works or doesn't.

Senator BUMPERS. What do you think, Mr. Peterson, about the suggestion of the Foundation putting $1 million into the fund?

Mr. PETERSON. You mean the private sector?

Senator BUMPERS. Yes.

Mr. PETERSON. I have no quarrel with that, and I think while that is considerably more than ever has been raised before, I think we have something distinctly new to offer in that we can present to private enterprise, sector-wise and geographically, and we have something tangible that they can look at when it's finished. I think there should be no problem in raising a substantially increased amount from the private sector, despite the economy.

Senator BUMPERS. I just have one other question of Mr. Dickenson. Since I have been in Congress we have talked about reforming our franchise fee system. We have had two or three fairly major bills discussed here. We have never gotten down to a markup on one of them. Is the Park Service doing anything on that, or is that just on the back burner?

Mr. DICKENSON. We look individually at the franchise fee when each new contract is entered into, and it may vary according to the type of operation, the volume and other kinds of circumstances affecting the business itself. In each individual case, Senator Bumpers, we do look at the amount of that franchise fee as a part of the negotiation of the contract.

Senator BUMPERS. What is the term of most franchises?

Mr. DICKENSON. The franchise fees run all the way from 1½ percent of the gross, for example, which I think is probably about the bottom figure, and up as high as perhaps 5 or 6 percent in some operations. Occasionally you run into a case like Yellowstone where we negotiated a very special contract last year with TWA Services in which 22 percent of the gross was put in a special improvement fund.

So, each of these is tailor made according to the situation.

Overall, in terms of the kind of business that is occurring in the total concession field today, the gross of all concessioners holding contracts and permits is $266 million, and the income before taxes was $21 million, and that returned to the Federal Government $5.2 million last year in franchise fees. That gives you a larger picture.

Senator BUMPERS. In that TWA Services contract for Yellowstone, is the 22 percent that goes into the special improvement plan or fund limited to facilities in which the United States as a possessory interest?

Mr. DICKENSON. Yes, sir.

Senator BUMPERS. You couldn't use it for roads or bridges coming into the park?

Mr. DICKENSON. Into those facilities under the contract.

Senator **Bumpers**. As I understand it, my bill does not limit the use of that fund. I think yours does, does it not?

Senator **Wallop**. In this instance the Yellowstone facilities that you are speaking of would not come under this bill.

Senator **Bumpers**. I know that. I'm sort of shifting gears here. The $5 million a year under your bill, as I understand it, is to be used for upgrading facilities in which we have a possessory interest.

Senator **Wallop**. That's correct.

Senator **Bumpers**. I'm just wondering, Mr. Peterson, Mr. Jarvis has suggested that this money be spent only in keeping with the general management plan for that particular park, which would include possibly other things besides that kind of a facility. What is your reaction to that?

Mr. **Peterson**. When you speak of the general management plan——

Senator **Bumpers**. We have a plan for every park, don't we?

Mr. **Dickenson**. That includes roads, bridges, all facilities. I think the issue here, Mr. Peterson, that the Senator is posing to you is whether or not we want to focus this on the kind of facilities that we're talking about or whether the money should be spread broadly throughout all the facilities.

Mr. **Peterson**. I probably go back to the same concept as the sunset provision. I'd like to limit what we're going to do, to a specific area, and let's see how well we do that for the time being.

Senator **Bumpers**. If we put it into those facilities, and we upgrade those facilities, obviously the franchise fee ought to be more the next time you renegotiate it. Would you agree with that?

Mr. **Dickenson**. If we're going to think in terms of using franchise fee broadly as you have written it into your legislation here, then we have to rethink the entire proposition. By focusing and targeting specifically on a problem area as we are suggesting here, we believe that we can make progress much more rapidly; we can deal with those other needs which are very real in a companion program currently called the park restoration and improvement program, which has the backing of the administration, the Secretary, and OMB.

Senator **Wallop**. That's what you mentioned in your opening remarks.

Senator **Bumpers**. The Secretary has rather insisted that land and water conservation funds be used for upgrading facilities and not for land acquisition. Yet we are honing in here on franchise fees for a very specific purpose which is to upgrade possessory interest facilities. I don't know, I'm going to have to think about that a little bit. Mr. Peterson, maybe you and I can visit on the phone one of these days.

Mr. **Maughan**. Mr. Bumpers, none of these funds would be in any of the facilities that have possessory interest in them according to S. 2715. None of the funds would go into a building that has possessory interest in it. Now we think that the limitation on the franchise fee is very necessary in this bill, and as you heard from the Director, the fees paid last year were approximately $5.2 million. You'll have to recall and remember that that is from all the concessionaires in the national parks, and so this limitation of the

$4 million or $5 million maximum takes in almost all of the funds that are being contributed or being paid now and are going to 1,006 buildings as I understand it. Those 1,006 buildings are basically in the smaller parks where they certainly have a smaller amount of those fees being paid.

So as a concessioner we would object to having just an open ceiling or no ceiling at all on that, because it would then put the incentive on the Park Service, and everyone else, to increase everyone's franchise fees so they would have more funds in the visitor facility fund to put into a few of these other facilities, so we would certainly object to that.

And of course we feel franchise fees should be subordinate of course to the objectives of protecting and preserving the parks and providing adequate and appropriate services as I indicated earlier.

Senator WALLOP. I would like to place in the record the list of Officers of the National Park Foundation. It's a pretty impressive group of Americans from virtually all walks of our economy. I'd like to put that in the record.

[The information follows:]

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GEORGE W. GOWEN, ESQUIRE, Partner, Dunnington, Bartholow & Miller, New York City
THE HONORABLE DAN W. LUFKIN, Chairman, Finance Committee, Columbia Pictures, Inc., New York City
THE HONORABLE LAURANCE S. ROCKEFELLER, Conservationist, New York City
MR. GORDON P. STREET, JR., President, North American Royalties, Inc., Chattanooga, Tennessee

*Term will expire August 31, 1982

July, 1982

APPOINTED BY THE SECRETARY OF THE INTERIOR
FOR SIX-YEAR TERMS BEGINNING
SEPTEMBER 1, 1982

DAVID M. ABSHIRE, Chairman of the Center for Strategic and International Studies; Co-editor, Washington Quarterly, Washington, D.C.

WILLIAM B. GRAHAM, Chairman, Baxter Travenol Laboratories, Inc., Deerfield, Illinois

LOUIS W. MENK, Chairman of the Board, Burlington Northern, Inc. (Retired); Chief Executive Officer, International Harvester, Chicago, Illinois

J. STANFORD SMITH, Chairman, International Paper Company (Retired), New York, New York

ROBERT K. TIMOTHY, President, Mountain States Telephone & Telegraph Company, Denver, Colorado

Senator WALLOP. I believe that takes care of it, gentlemen. I appreciate it.

Ross, if you would just give me a summary on the other bills and I'd let you go back.

STATEMENT OF HON. RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR

Mr. DICKENSON. In the case of Cape Cod, Mr. Chairman, the ceiling previously for Cape Cod was $33,500,000. There are a number of current actions underway which would raise that ceiling and cause us to request that ceiling to be raised to $43,917,000 and the full details of that are included within the statement here.

And at Cape Lookout, the past ceiling was $7,903,000 and we're requesting that that be raised to $9,903,000, again the details included.

Sleeping Bear Dunes—raising the ceiling from $57,753,000 up to $73,224,558.

And the final one has to do with Perry's Victory and International Peace Memorial, which over the years—from weather and other kinds of environmental effects—has really required a lot of work. We're requesting an increase from $9,327,000 to $9,825,000. That's an increase of $498,000.

That concludes my statement, sir.

Senator WALLOP. Thank you. We'll put your entire statement in the record.

[The prepared statement of Mr. Dickenson follows:]

STATEMENT OF RUSSELL E. DICKENSON, DIRECTOR, NATIONAL PARK SERVICE, DEPARTMENT OF THE INTERIOR, BEFORE THE SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER, SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, CONCERNING LEGISLATION TO PROVIDE FOR INCREASES IN APPROPRIATION AUTHORIZATIONS FOR LAND ACQUISITION AT CAPE COD NATIONAL SEASHORE, CAPE LOOKOUT NATIONAL SEASHORE, AND SLEEPING BEAR DUNES NATIONAL LAKESHORE, AND LEGISLATION TO INCREASE THE LIMITATION ON APPROPRIATIONS FOR DEVELOPMENT AT PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL.

JULY 30, 1982

MR. CHAIRMAN, ON BEHALF OF THE DEPARTMENT OF THE INTERIOR WE WISH TO EXPRESS OUR APPRECIATION TO YOU FOR SCHEDULING HEARINGS ON THESE PROPOSED AUTHORIZATIONS, AND TO THE CHAIRMAN OF THE FULL COMMITTEE, SENATOR MCCLURE, FOR INTRODUCING THE BILLS AT THE ADMINISTRATION'S REQUEST.

THE VARIOUS BILLS BEFORE THE COMMITTEE AUTHORIZE INCREASES IN APPROPRIATION CEILINGS FOR LAND ACQUISITION IN THREE AREAS AND AN INCREASE IN THE APPROPRIATION CEILING FOR DEVELOPMENT IN ONE AREA OF THE NATIONAL PARK SYSTEM. IN EACH CASE, MR. CHAIRMAN, LEGISLATION IS NEEDED TO AUTHORIZE THE APPROPRIATION OF AN AMOUNT REQUESTED IN THE PRESIDENT'S BUDGET FOR FISCAL 1983. MY STATEMENT WILL TREAT THE LAND ACQUISITION AUTHORIZATIONS FIRST, THEN THE DEVELOPMENT AUTHORIZATION.

CAPE COD NATIONAL SEASHORE, MASSACHUSETTS

THE ACT OF AUGUST 7, 1961, AUTHORIZED THE ESTABLISHMENT OF CAPE COD NATIONAL SEASHORE IN MASSACHUSETTS. AS AMENDED, SECTION 9 OF THAT ACT AUTHORIZED A TOTAL OF $33,500,000 TO BE APPROPRIATED FOR LAND ACQUISITION. ALL OF THAT SUM HAS BEEN APPROPRIATED. IN ADDITION, UNDER THE AUTHORIZATION OF PUBLIC LAW 95-42, WHICH AUTHORIZES APPROPRIATIONS UP TO 10 PERCENT IN EXCESS OF THE STATUTORY CEILING, ANOTHER $3,717,575 HAS BEEN APPROPRIATED. THE LAND ACQUISITION COMPONENT OF THE DEPARTMENT'S FISCAL YEAR 1983 BUDGET REQUEST FOR FISCAL 1983 INCLUDES $6,500,000 TO PAY ANTICIPATED CONDEMNATION AWARDS. IN ADDITION, WE HAVE SUBMITTED A REPROGRAMMING REQUEST UNDER P.L. 95-42 OF $200,000 FOR CAPE COD.

THUS, THE NEW STATUTORY CEILING SHOULD CONSIST OF THE SUM OF THE EXISTING CEILING ($33,500,000); OVERCEILING APPROPRIATIONS TO DATE UNDER P.L. 95-42 ($3,717,575); THE FY 1983 BUDGET REQUEST ($6,500,000), AND THE PENDING REPROGRAMMING REQUEST UNDER P.L. 95-42 ($200,000). THIS SUM IS $43,917,575. WE RECOMMEND THAT S. 2754 BE AMENDED ACCORDINGLY. WE REGRET THAT THE ADMINISTRATION'S REQUEST FOR LEGISLATION SUBMITTED TO THE CONGRESS ON APRIL 14 DID NOT TAKE INTO ACCOUNT $3,150,000 WHICH HAS BEEN APPROPRIATED UNDER P.L. 95-42 AND OUR PENDING REPROGRAMMING REQUEST OF $200,000.

H.R. 6290 PASSED THE HOUSE OF REPRESENTATIVES ON JUNE 14, AND IS ALSO PENDING BEFORE YOUR COMMITTEE. SECTION 2 OF THE HOUSE BILL WOULD ALSO INCREASE THE APPROPRIATION CEILING FOR LAND ACQUISITION AT CAPE COD. HOWEVER, AS INDICATED IN THE COMMITTEE REPORT ACCOMPANYING THE BILL, THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS CHOSE NOT TO INCLUDE THE AMOUNTS WHICH HAVE BEEN APPROPRIATED UNDER P.L. 95-42, OR ANY PENDING REPROGRAMMING ACTIONS PURSUANT TO THAT LAW, IN ARRIVING AT THE NEW STATUTORY CEILING. THUS, THE HOUSE FIGURE REPRESENTS THE EXISTING CEILING OF $33.5 MILLION PLUS THE ADMINISTRATION'S FISCAL 1983 REQUEST OF $6.5 MILLION, OR $40 MILLION.

AS STATED, WE RECOMMEND THE MORE COMPREHENSIVE FIGURE OF $43,917,575. ALTHOUGH FOR PURPOSES OF P.L. 95-42 THE RESULT WILL BE A GREATER AUTHORIZATION THAN THE HOUSE FIGURE, WE BELIEVE THE NEW CEILING SHOULD ACCURATELY REFLECT TOTAL AMOUNTS APPROPRIATED. SECTION 5(b) OF THE HOUSE BILL WOULD NOT TAKE INTO ACCOUNT SUMS APPROPRIATED UNDER P.L. 95-42, AND WE RECOMMEND AGAINST THE ENACTMENT OF THIS PROVISION.

CAPE LOOKOUT NATIONAL SEASHORE, NORTH CAROLINA

THE ACT OF MARCH 10, 1966, AUTHORIZED CAPE LOOKOUT NATIONAL SEASHORE. AS AMENDED, SECTION 8 OF THAT ACT AUTHORIZED $7,903,000 FOR LAND ACQUISITION. ALL OF THAT SUM HAS BEEN APPROPRIATED. THE DEPARTMENT'S PENDING BUDGET REQUEST FOR FY 1983 INCLUDES $2 MILLION TO PAY ANTICIPATED CONDEMNATION AWARDS. THUS, THE NEW STATUTORY CEILING SHOULD BE THE SUM OF THE EXISTING CEILING AND OUR FY 1983 BUDGET REQUEST, OR $9,903,000. S. 2757 WOULD SO PROVIDE, AND WE RECOMMEND ITS ENACTMENT. SECTION 3 OF H.R. 6290 WOULD ESTABLISH AN IDENTICAL FIGURE AS THE NEW CEILING. NO FUNDS HAVE BEEN APPROPRIATED FOR CAPE LOOKOUT UNDER P.L. 95-42.

SLEEPING BEAR DUNES NATIONAL LAKESHORE, MICHIGAN

THE ACT OF OCTOBER 21, 1970, AUTHORIZED SLEEPING BEAR DUNES NATIONAL LAKESHORE. AS AMENDED, SECTION 15 OF THE ACT AUTHORIZED $57,753,000 FOR LAND ACQUISITION. ALL OF THAT SUM HAS BEEN APPROPRIATED. IN ADDITION, UNDER THE AUTHORIZATION OF PUBLIC LAW 95-42 ANOTHER $3,996,558 HAS BEEN APPROPRIATED AND A REPROGRAMMING REQUEST FOR THE CURRENT FISCAL YEAR WILL BE SUBMITTED IN THE AMOUNT OF $3,075,000. THE DEPARTMENT'S BUDGET REQUEST FOR FY 1983 INCLUDES $8,400,000 TO PAY ANTICIPATED CONDEMNATION AWARDS. THUS, THE NEW STATUTORY CEILING SHOULD CONSIST OF THE SUM OF THE EXISTING CEILING ($57,753,000); OVERCEILING APPROPRIATIONS TO DATE UNDER P.L. 95-42 ($3,996,558); THE FY 1983 BUDGET REQUEST ($8,400,000); AND THE

ANTICIPATED REPROGRAMMING REQUEST UNDER P.L. 95-42 ($3,075,000). THAT SUM IS $73,224,558. WE RECOMMEND THAT S. 2755 BE AMENDED ACCORDINGLY. WE REGRET THAT THE ADMINISTRATION'S REQUEST FOR LEGISLATION SUBMITTED TO THE CONGRESS ON APRIL 14, DID NOT TAKE INTO ACCOUNT $2,700,001 WHICH HAS BEEN APPROPRIATED UNDER P.L. 95-42 AND OUR PROPOSED REPROGRAMMING REQUEST OF $3,075,000.

SECTION 4 OF H.R. 6290 WOULD ESTABLISH A NEW CEILING FOR SLEEPING BEAR DUNES OF $66,153,000. THIS REPRESENTS THE EXISTING CEILING OF $57,753,000 PLUS THE ADMINISTRATION'S FISCAL 1983 BUDGET REQUEST OF $8,400,000. THE HOUSE FIGURE DOES NOT TAKE INTO ACCOUNT SUMS APPROPRIATED UNDER P.L. 95-42. AS WE DID FOR THE NEW CEILING AT CAPE COD, WE RECOMMEND THE MORE COMPREHENSIVE FIGURE FOR SLEEPING BEAR DUNES.

PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL

S. 2756 WOULD INCREASE THE STATUTORY CEILING ON APPROPRIATIONS FOR DEVELOPMENT AT PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL FROM $9,327,000 TO $9,825,000--AN INCREASE OF $498,000. WE RECOMMEND THE ENACTMENT OF THE BILL. IT IS IDENTICAL TO LEGISLATION SUBMITTED BY THIS DEPARTMENT ON MARCH 31.

PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL IS LOCATED ON SOUTH BASS ISLAND, OHIO, IN LAKE ERIE. THE MEMORIAL CONSISTS OF SOME 26 ACRES OF LAND ON WHICH A GREEK DORIC COLUMN, 352 FEET IN HEIGHT, WAS CONSTRUCTED BETWEEN 1912 AND 1915 TO COMMEMORATE COMMODORE OLIVER PERRY'S DECISIVE VICTORY IN THE BATTLE OF LAKE ERIE ON SEPTEMBER 10, 1813, AND THE YEARS OF PEACE BETWEEN THE UNITED STATES AND CANADA SINCE THE WAR OF 1812. THE COLUMN IS THE TALLEST STRUCTURE

OF ITS KIND IN THE WORLD.

SEVERE WEATHER AND WAVE ACTION OVER THE PAST SIXTY YEARS HAVE BADLY DAMAGED THE PARK'S SEAWALLS, AS WELL AS THE INTERNAL STRUCTURAL INTEGRITY AND EXTERIOR OF THE COLUMN. THE ACT OF OCTOBER 26, 1972, SET A DEVELOPMENT CEILING FOR THE PARK OF $5,177,000, PRINCIPALLY TO COVER THE COST OF REPAIRING THIS DAMAGE. RISING CONSTRUCTION COSTS FORCED CONGRESS TO RAISE THE CEILING TO $9,327,000 IN THE ACT OF NOVEMBER 10, 1978. MUCH OF THE REPAIR WORK HAS BEEN COMPLETED, INCLUDING RECONSTRUCTION OF THE SEAWALLS. THE SECOND PHASE OF REHABILITATION WILL INCLUDE REPAIR WORK ON THE COLUMN ITSELF. CRITICAL TO THIS EFFORT WILL BE THE INSTALLATION OF WATERPROOF BARRIERS AND DEHUMIDIFERS TO PREVENT A RECURRENCE OF WATER DAMAGE. THE TOTAL COST OF THIS SECOND PHASE IS $2,444,000. FUNDING FOR THIS WORK IS BEING SOUGHT BY THIS DEPARTMENT AS PART OF THE PARK RESTORATION AND IMPROVEMENT PROGRAM PORTION OF OUR FISCAL YEAR 1983 BUDGET REQUEST.

UNDER THE 1978 DEVELOPMENT AUTHORIZATION, ONLY $1,946,000--or $498,000 LESS THAN THE AMOUNT REQUIRED TO COMPLETE PHASE II OF THE RESTORATION PROJECT--REMAINS AVAILABLE FOR APPROPRIATION. CONSEQUENTLY, WE RECOMMEND ENACTMENT OF THE ENCLOSED DRAFT BILL AUTHORIZING THE APPROPRIATION OF THE ADDITIONAL $498,000 FOR THE PLANNED DEVELOPMENT WORK AT PERRY'S VICTORY AND INTERNATIONAL PEACE MEMORIAL.

MR. CHAIRMAN, THIS CONCLUDES MY PREPARED STATEMENT. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU OR MEMBERS OF THIS SUBCOMMITTEE MAY HAVE.

Senator WALLOP. Now, the following panel on S. 2752 will be Mr. Max Berry, who is chairman of the Pennsylvania Avenue Development Corporation. He is accompanied by Alexander Milin, financial adviser of that organization, and Mr. Jerry Smedley, director of real estate for that organization, and, Mr. Wiebenson, we would ask you to come at the same time. Mr. Wiebenson is with the Metropolitan Washington Planning and Housing Association.

STATEMENT OF MAX N. BERRY, CHAIRMAN, PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION, ACCOMPANIED BY ALEXANDER K. MILIN, FINANCE MANAGER, AND JERRY SMEDLEY, DIRECTOR OF REAL ESTATE

Mr. BERRY. Good morning, Mr. Chairman. Thank you very much for having us here this morning to discuss S. 2752, a bill which would amend the Corporation's existing legislation. As you mentioned, joining me on the right would be Alexander Milin, our finance manager, and on my left Jerry Smedley, director of real estate.

I'll submit the full statement for the record and make an abbreviated one—if that's satisfactory.

The bill which we have proposed would increase the Corporation's authority to borrow from the U.S. Treasury by $20 million, increasing the currently authorized ceiling of $100 million to $120 million. The bill would also extend the authorization for salaries and expenses beyond fiscal year 1983.

Without the $20 million increase the Corporation will not be able to acquire real estate for development purposes. The proposed salaries and expenses amendment is necessary to continue staffing for the program beyond the fiscal year 1983.

We ask the subcommittee's support of the proposed changes to the Corporation's legislation in the interest of allowing the overall program to proceed without interruption. This legislation, of course, has the support of the administration.

As you are aware, the Corporation is charged with the comprehensive redevelopment of the Pennsylvania Avenue corridor between the Capitol and the White House, pursuant to a plan approved by Congress in 1975. The redevelopment process consists of making improvements to the public areas within the Corporation's designated project area, as well as fostering new development and rehabilitation of older buildings on the blocks bordering Pennsylvania Avenue. The latter activity requires that the Corporation periodically purchase selected properties for subsequent lease or sale to developers, an activity which insures that development will proceed on a more timely basis than otherwise and in accordance with the land use objectives contained in the congressionally approved plan.

Since it has been over 4 years since the Corporation last appeared before this subcommittee perhaps it would be helpful if I briefly summarized the status of the implementation of the plan for Pennsylvania Avenue. A considerable amount of progress in meeting the plan's objectives has been accomplished in the interim.

Four years ago the Corporation had just begun to acquire selected properties in order to assist developers and stimulate the redevelopment process on the blocks on the northern border of Pennsylvania Avenue. Similarly, the effort to beautify the avenue through a program of reconstructing the sidewalks and roadways and the creation of new parks and plazas was just beginning.

Today, there are—it says 10, but there are really 14 to 17, depending on the numbers of new development projects planned—14 are permanent, 3 are temporary, underway, or completed on the squares along Pennsylvania Avenue, representing over $600 million in private investment.

These projects represent both new development and the preservation of existing, historic structures. The Willard Hotel at 14th Street and Pennsylvania Avenue and the Old Evening Star Building located at 11th Street and Pennsylvania Avenue are examples of historic buildings that are being retained and restored within the project area. I might ad lib that there are many others.

A number of the development and renovation projects underway reflect the emphasis of the plan on stimulating the presence of people on Pennsylvania Avenue. For example, the $150 million National Place project across the street from the District Building includes office, hotel, and retail uses as well as the soon-to-be refurbished and renovated National Theater Building.

You might know that next to the National Theater, between the Marriott Hotel, there will be a three story Jim Rouse designed shopping arcade which goes from Pennsylvania Avenue all the way up to F Street where the new Press Club will be, so you can walk from one street to another on an arcade. You can sort of hypothesize what a Jim Rouse arcade might be and that will be right next to the refurbished National Theater.

Now this kind of combination of land uses exemplifies what is needed to create interest in Pennsylvania Avenue and make it a desirable and interesting place for area residents, businessmen and tourists to come. Hopefully, to improve the quality of life for all those types.

Much progress has also been made in creating the public area improvements envisioned by the improved plan. Two major open spaces had been created on Pennsylvania Avenue between 13th and 15th Streets. These are Pershing Park and Western Plaza. They have already experienced considerable usage from tourists, local residents, and office workers alike. Pershing is the one with a lot of trees, a little kiosk, a reflection pool on the inside which changes into an ice skating rink in the winter, which is open also at night. Even the kiosk has more than hamburgers and hot dogs. It has Quiche Lorraine and Italian sandwiches and a fruit plate and chicken plate. It's to attract all kinds of people.

The lights are interesting at night. If you're at the National Theater I would encourage you to walk over there with your friends and family. It's a little bit of Tiffany. It's designed to contrast with Pershing. It's designed to hold a few thousand people at ceremonies and festivals. We've had several of those from Boy Scouts to the Urban League in Washington and it works well. We've had farmers' markets there and square dancing. We've had a lot of people. We're embellishing that also. We have now just approved two 75-foot American flags which will fly up on Western Plaza which will have an unusual base where people can sit. It will be illuminated at night. It will sort of be like the flag at Dulles. It's very impressive.

But anyway, these are public places which are drawing people. We've had a lot of concerts there and we've had a lot of people at the concerts. We've had anyone from Charlie Bert to a Trinidad Steel Band and western music and we have Mobile to support some of those concerts, and they're all free and people like them.

Now complementing these created open spaces are improvements for the sidewalks of Pennsylvania Avenue. These improvements consist of new brick sidewalk pavers, attractive benches and street furniture, almost like street sculpture. There are unique castings for gratings surrounding trees, benches around the trees, and lighting fixtures. There's a well-known metal sculptor, there was not a foundry anywhere in the United States that did this work. It had died out at the turn of the century. Next time you go down there you might look at those grates. If one looks a little red and rusty they will turn a natural color as it's been primed. In fact we would like to, at your convenience, give you a walking tour of the avenue if you should ever have the time.

This attractive street furniture, double and triple rows of newly installed trees, and new expanded lighting system; the Pennsylvania Avenue roadway itself is being rebuilt to provide a uniform and durable vehicular surface for future years. I might add a safer roadway also for pedestrians.

Sidewalks have been widened wherever possible to enhance pedestrian movement.

From a cost-benefit standpoint the Corporation—that investment at $65 million thus far in the program, has produced 10 times as much private investment on the blocks, $600 million in new development projects are planned or underway. When we're through we estimate the private investment will be over a billion dollars and that the Government's outlay will be $150 million. Moreover, the emergence of a more attractive physical environment of the public areas of Pennsylvania Avenue and the more varying land uses now occurring on the adjacent blocks will have a telling effect on the character of Pennsylvania Avenue. The once drab and uninviting avenue is now starting to become interesting. Gradually people are being drawn to the avenue, a process which will accelerate when all the planned housing, offices, hotels, restaurants, many sidewalk restaurants, bandstands, music, retail operations, and very cultural activities become a reality.

I sincerely believe that the enterprise in which the Corporation is engaged is worthwhile. It will be meaningful and improve the quality of life for all Americans and all business from foreign countries who experience it, and that Pennsylvania Avenue can become one of the great avenues of the world, if not the greatest.

The subcommittee's support of S. 2752 will enable the Pennsylvania Avenue Development Corporation to continue their pursuit of this objective.

Thank you very much, Mr. Chairman, and I and my staff will be very happy to respond to any questions that you may have.

[The prepared statement of Mr. Berry follows:]

Statement of Max N. Berry, Chairman
Pennsylvania Avenue Development Corporation

before the

Subcommittee on Public Lands and Reserved Water

Energy and National Resources Committee

U.S. Senate

Concerning

S. 2752, a Bill to Amend Public Law 92-578

Mr. Chairman and Members of the Subcommittee:

I am Max N. Berry, Chairman of the Pennsylvania Avenue Development Corporation, and am pleased to be here this morning to discuss S. 2752, the bill which would amend the Corporation's existing legislation. Accompanying me this morning are several members of the staff of the Corporation.

The bill which we have proposed would increase the Corporation's authority to borrow from the U.S. Treasury by $20 million, increasing the currently authorized ceiling of $100 million to $120 million. The bill would also extend the authorization for Salaries and Expenses beyond FY 1983, providing $3.25 million each year from FY 1984 to FY 1988. The proposed increase in the Corporation's U.S. Treasury borrowing ceiling is needed to provide for the FY 1983 budget request of $1.2 million, since cumulative appropriations of borrowing authority through FY 1982 total $99.9 million. The proposed Salaries and Expenses amendment is necessary to continue the Corporation and the Avenue redevelopment program beyond FY 1983.

We ask the Subcommittee's support of the proposed changes to the Corporation's legislation, in the interest of allowing the program to proceed without interruption. This legislation of course has the support of the Administration.

As you are aware, the Corporation is charged with the comprehensive redevelopment of the Pennsylvania Avenue corridor between the Capitol and the White House, pursuant to a plan approved by Congress in 1975. The redevelopment process consists of making improvements to the public areas within the Corporation's designated project area, as well as fostering new development and the rehabilitation of older buildings on the blocks just north of Pennsylvania Avenue. The latter activity requires that the Corporation periodically facilitate with its power of eminent domain the purchase of selected properties for subsequent lease or sale to developers, an activity which ensures that development will proceed on a more timely basis than otherwise and in accordance with the land-use objectives contained in the congressionally-approved plan. Other development projects have been made possible because of the site assembly assistance that the Corporation has provided developers. Still other projects have occurred solely through the initiative of private developers.

Since it has been over four years since the Corporation last appeared before this Subcommittee, perhaps it would be helpful if I briefly summarize the status of the implementation of the plan for Pennsylvania Avenue. A considerable amount of work has been accomplished in the interim.

Four years ago the Corporation had just begun to acquire selected properties in order to assist developers and stimulate the redevelopment process on the blocks on the northern border of Pennsylvania Avenue. Similarly, the effort to beautify the Avenue through a program of reconstructing the sidewalks and roadways and the creation of new parks and plazas was just beginning.

Today, there are ten development projects planned, underway or completed on the squares along Pennsylvania Avenue, cumulatively representing over $600 million in private investment. These ten projects represent both new development and the preservation of existing, historic structures. For example, two new office buildings have been completed and are in operation. Landmarks such as the Willard Hotel, owned by the Corporation and leased for a 99 year period, and the Old Evening Star Building, located at 11th Street and Pennsylvania Avenue, are examples of historic buildings that are being retained and restored within the project area. Still other projects combine both new development and the preservation of existing, historic structures.

A number of the development and renovation projects underway reflect the emphasis of the plan on stimulating the presence of people on Pennsylvania Avenue. On the block bordered by 14th Street, 13th Street, Pennsylvania Avenue and F Street, an imaginative and comprehensive multi-use project to be called National Place is under construction. Consisting of office, hotel and retail uses, this $150 million development project will, when completed, include a newly-refurbished and renovated National Theatre operation. This combination of land uses exemplifies what is needed to create interest in Pennsylvania Avenue and make it a desirable and interesting place for area residents, businessmen, and tourists to come.

Much progress has also been made in creating the public area improvements envisioned by the congressionally-approved plan. Two major open spaces have been created on Pennsylvania Avenue between 13th and 15th Streets. Pershing Park, located between 14th and 15th Streets, has been reconstructed so as to include ample greenery, a reflecting pool/skating rink, and a food service kiosk for visitor enjoyment. It has already experienced considerable patronage from tourists and office workers alike. Western Plaza, directly to the east on the Avenue between 14th and 13th Streets, was created in fulfillment of the earliest plans for Washington, D.C. prepared by Pierre L'Enfant.

Complementing these two newly-created open spaces are improvements to the sidewalks of Pennsylvania Avenue. These improvements consist of new brick sidewalk pavers, attractive benches and other "street furniture," double and triple rows of newly-installed trees, and a new, expanded lighting system. The Pennsylvania Avenue roadway itself is being rebuilt to provide a uniform and durable vehicular surface for future years. Sidewalks have been widened where possible to enhance pedestrian movement and enjoyment.

Like the development projects now underway on the squares, the public improvements that are now occuring on the Avenue vastly improve the physical environment between the Capitol and the White House.

In the past four years the Corporation has obligated approximately $130 million for the square development and public improvements activities discussed, of which approximately one-half will be recovered through current and future revenues from the leasing or sale of land that has been acquired by the agency. Therefore, we can state that the federal government's net investment of $65 million thus far (one half of the $130 million obligated) has stimulated private investment of over $600 million in development projects on the squares. Moreover, this development is generally more imaginative, more respectful of historic preservation, and more oriented to people than would be the case without the Corporation's presence.

I find that the emergence of a more attractive physical setting on Pennsylvania Avenue and the more varied and interesting land uses now occuring on the adjacent blocks is already having a telling effect on the character of Pennsylvania Avenue. The once drab and uninviting Avenue is now starting to become interesting. Gradually, people are being drawn to the Avenue, a process which will accelerate when all the planned hotel, restaurant and retail operations become a reality.

I believe the work which the Corporation has undertaken is worthwhile and should be continued until it is completed in the early 1990's, after which time the Corporation will go out of existence. The goal of the Corporation is nothing less than making Pennsylvania Avenue one of the great thoroughfares of the world.

The Subcommittee's support of S. 2752 will enable the Pennsylvania Avenue Development Corporation to continue the efforts of transforming Pennsylvania Avenue, the nation's foremost symbolic and ceremonial street, into the kind of thoroughfare that evokes pride on the part of this nation's citizens.

We would now be pleased to respond to any questions that the Subcommittee may have.

Thank you, Mr. Chairman.

Senator WALLOP. Thank you, Mr. Berry.

Mr. Wiebenson.

STATEMENT OF JOHN WIEBENSON, METROPOLITAN WASHINGTON PLANNING AND HOUSING ASSOCIATION, WASHINGTON, D.C.

Mr. WIEBENSON. I'm pleased to be here today. My name is John Wiebenson. I'm an architect and a planner and I practice here in the District. I've taught on these matters and written articles about these matters and today I'm testifying as a member of the board of the Metropolitan Washington Planning and Housing Association.

MWPHA is a private, nonprofit, citizens' advocacy organization that has been involved in planning and housing issues in the Washington area for 50 years. During the last 11 of those years we've been looking at plans for Pennsylvania Avenue, and even putting out one of our own in 1971.

I am here today to speak about ways to keep the goals and objectives of the 1974 plan, the one that Congress approved for Pennsylvania Avenue, from getting lost. We believe that key objectives of this plan involve housing. My testimony therefore argues for a continued committment for housing in the Pennsylvania Avenue area. I will also go over some ways to make sure that the housing is more feasible.

The 1974 plan calls for 1,500 units of housing, averaging 1,000 square feet each. The Pennsylvania Avenue Development Corporation is now proposing to put in only 1,200 units averaging 800 square feet each. Multiplying this out shows that cutting back on both numbers of units and on size of units results in a substantial total loss of area given over to housing. Indeed, 56 percent more housing area was proposed in 1974 than is being proposed now.

Further, the 1974 plan organized the housing in such a way that it formed a housing area, and housing dominated adjacent office and retail areas. Now, just as housing area is being reduced, office area is being increased. Indeed, office space in the housing area is proposed to increase from 430,000 square feet to 1,600,000 square feet, an increase of over 300 percent, and an increase sufficiently large to change this from a housing area into just another office area that will probably look and feel little different from all those other office areas that have been taking over Washington's downtown in recent years.

PADC says it is having to change the character of this area of their development due to problems of financing housing. They are right in that such problems exist. Housing starts have fallen dramatically in this country in the last several years. However, PADC's response to these problems is so extreme and so radical as to challenge the 1974 plan in both spirit and letter.

For example, the 1974 plan was printed up with a short list of objectives, one of which called for "bringing people back to live along the avenue. Around-the-clock residents will help both to keep the area alive after the workday is over and also to support a greater variety of commercial activities." This objective did not say how many residents should be brought back to the avenue, but it is clear that if there are too few residents, then the area will not be kept alive after the workday is over, but will be just as dead as it is now. To my mind, the amount of housing proposed in the 1974 plan was dangerously low if it was meant to create a truly viable community and one sufficiently numerous to have any real impact on activity and safety. And now that PADC has reduced the proposed housing area so much, it is likely that residents will be far too few in numbers to protect one another by their mutual presence on the street, and that residents will be too few in numbers to support a variety of shops and services. Indeed, if PADC's plan goes any further, it is likely that the only shops and services to be found in the "housing area" will be those banks and Xerox shops that follow the office buildings.

This relates to another objective of the 1974 plan, that of "making the avenue function as a bridge, not as a barrier, between the monumental Federal core—and the city's downtown—by making it easier for people to cross from one side to the other and by giving them reason to do so." It is easy to imagine tourists crossing Pennsylvania Avenue to buy a book, to eat at a sidewalk cafe, to look for antiques, to go to a movie, but it is very difficult to envision very many tourists crossing the avenue just to Xerox a piece of paper.

MWPHA believes that the objective of the 1974 plan should be met. It would be good for the city by making its downtown retail core more viable through increased sales to tourists. It would be good for the Nation by keeping its ceremonial way—Pennsylvania Avenue—alive, active, and safe all those days between inaugural parades. Besides helping attract tourists off the Mall and into the city, we would be able to help tourists find the other museums and objects of national interest that are not on the Mall.

MWPHA has proposed a number of ways to help PADC follow through on its charge to put in all the housing called for in the 1974 plan:

One, the current financial situation will change again, just as it has changed so many times before. Interest rates will come down. Demand for office space will slacken. Demand for downtown housing will increase. The District's market analysis for downtown housing shows a demand for some 6,000 more units by the year 2000. PADC has already let the development of the housing area drag on for 8 years. Letting it sit idle for another year or two is very likely to enhance the feasibility of housing here.

Two, Congress could help. PADC is ready to ask Congress for $10 million to buy land to make Market Square a little bigger than it already is, and for $2 to $3 million more just to pave the extra space. More empty paving will not make Pennsylvania Avenue more attractive or more alive or more safe, but increasing the housing and the shops and services that residents support can bring such improvements to the avenue. We therefore suggest that Congress spend not one more nickel for more empty pavings on the avenue, but instead, we suggest that Congress might help pay the difference between another office area and an active and vital mixed-use community.

Three, greater attention to changes in financing might also help. PADC's financial analysis for housing was based on selling units.

The 1981 Tax Act has provisions that could help support rental units in a way that might make more units of housing easily feasible.

Four, a combination of all three of the above approaches is probably the best way to reach the housing and activity objectives of the 1974 plan.

Unfortunately, PADC has shown no inclination to employ any of these suggestions. Congress created PADC to develop the Avenue along the lines of the 1974 plan that Congress approved. And, each year, Congress passes legislation that provides funding for PADC to follow through on the 1974 plan. We believe that such legislation gives Congress an opportunity to cause PADC to follow through a little more carefully and fully, on the 1974 plan, particularly with regard to housing.

We therefore suggest that this committee add such language to its bill as would make PADC more accountable to Congress as to whether or not it is following through on the 1974 plan. H.R. 5990 attempts to do just that by requiring PADC to report to the appropriate committees any changes to the plan with regard to housing and similar other issues; and exactly what additional funds will be needed for exactly what purposes in carrying out the Avenue's development up to fiscal year 1990. This could make it more clear whether PADC is likely to bring in any housing at all, and whether PADC will continue to seek vast funds for empty spaces, but nothing at all for housing.

This would be only the beginning, of course. Just having information on PADC's real objectives, as compared to those of the plan, will be without value unless Congress seeks to correct them. We believe Congress should make this effort. This year probably marks our last chance to make sure Pennsylvania Avenue's future corresponds to what Congress approved by way of accepting the 1974 plan. We believe that improvements can be made to the 1974 plan, but that simply turning it into a vehicle for putting up more office space is not such an improvement. Indeed, the developers of this city have shown themselves all too able to build dead office areas without any help from costly planning bodies such as PADC. We therefore believe that if no commitment is to be made to put up a full community of housing, free of the shadow of relatively greater office structures, then Congress should simply dissolve PADC. The developers could then go ahead putting in big new office buildings as they now do, and then they could seek visual guidance from the members of the Fine Arts Commission, as they now do. The only difference is that we would not have to bear the cost of supporting PADC's large yearly cost as it gradually whittles away the amount of housing until it is gone altogether. What we are suggesting then, is that either real planning is done and real goals and objectives are sought, or then we get out of the Pennsylvania Avenue Planning business altogether.

Thank you, Mr. Chairman, if you have any questions I'll be glad to respond.

Senator WALLOP. Thank you.

Mr. Berry, what is the housing situation?

Mr. **Berry**. First of all, I'd like to say that we would enjoy sending you a full comment on Mr. Wiebenson's statement, some of which I agree with and much of which I don't.

Senator **Wallop**. The record will be open for 2 weeks and we would invite that.

Mr. **Berry**. We are fully committed to housing on the Avenue in the eastern sector which is envisioned and recommended in our plan. And we have for 2 years with our board, our staff, our consultants, Anderson, Notter, Mariani for historic preservation; and George for economic feasibility, and with Edwin, Laraby, Barnes, the architect for design. We have carefully come up with a concept which has included private meetings, public meetings, public hearings, with various entities in this area including on many many occasions, Mr. Wiebenson, who has addressed our board several times and our hearings.

We want to send the committee a transcript of our public hearing which we held a few months ago when Mr. Wiebenson and others participated on this very subject. I am gratified that most, or almost all of the private and public entities in Washington, D.C., have publicly complimented the plan which we now are moving on in the eastern sector.

One reason we're just getting to it is that Congress itself, as Mr. Wiebenson knows, we should do the Willard area first, and after we got down there, it would be east of the FBI area last.

The concepts on housing, as Mr. Wiebenson correctly said, has changed since 1974. We are committed to placing as we have published, between 1,200 and 1,350 units of housing east of the FBI building. There will be an average of 850 square feet per unit. On a worldwide average, if one studies it, it is larger than, say, one bedroom housing in most places now in the eastern part of the United States as well as in Europe and places like Japan.

In addition, we have had to carefully study what it would cost to accomplish even half of what Mr. Wiebenson suggests and what it would cost in the way of Government subsidies to accomplish a villa concept. We are dealing with a wonderful piece of real estate, the Nation's main street, but unfortunately it does not sell—prices like maybe farmland out in the West—it's perhaps the most expensive land in the United States. Some have sold at $650 a square foot which I think is staggering. We cannot dictate to developers to lose money. What we can dictate and should dictate to the developers is to have a quality product which will bring people day and night. Because of those realities, we've come in with an in-field site approach to this area which has been applauded by organizations such as, "Don't Tear It Down," and many others. We've saved many historic buildings. We have recommended that Government purchase much fewer buildings. In order to get the housing which we all want, we've had to increase the density in the office spaces initially envisioned because if we can parcel the areas among developers, if we go out and say, we want you to just build housing, we have heard from too many developers, and we have our own economic studies and our consultants' studies which say, forget it in this area, this market, and for the foreseeable future. You can't make any money. It's not feasible now for the Government to build it, so we have gone on this approach of the in-field site where we would be correlating and say, do your office building and retail and do the housing combined. This is a theory. We haven't actually made deals. We have several developers who are interested and say we can. They'll lose money on it or break even.

We have one deal with Westminster, B. F. Saul, for later this year, 196 units of housing, will be starting near the apex building. In the same building there will be a hotel, but that's the beginning of the 1,350 units. And the increasing density in office, we can then get the housing. It becomes economically feasible, and the Government doesn't have to subsidize it, and that's the beauty of our plan.

Now I've asked Mr. Wiebenson publicly and privately and I'm glad he said this because I'm sure this committee would like to see the economics here it would produce. I haven't seen any yet. Show us the economic feasibilities of your idea, because our economists and our consultants have computed your thoughts and have come up between $20 million and $42 million of Government subsidies required to do it.

Now the PADC is a development corporation for the government and it's charged with developing Pennsylvania Avenue in a quality way to make everybody happy day and night long after we're gone. But we're not an agency with an unlimited source of funds or subsidies. And it's impractical to think that we're going to get from anybody, the Federal Government, District government, or a private office, anywhere near $20 million to $20 million in subsidies to have the housing. We figured out a way to get hundreds of units, hopefully 1,350 units, quality construction, in various styles with all kinds of retail markets and hotels and sidewalks all around in a manner in which we don't have to say we'll gamble. And that's what we're all about, the best quality approach to the Avenue in a practical manner, and that's why we've gone to the in-field site, and I think frankly that it's the best approach and perhaps the only one.

We could wait for a market change, I've heard this. We could wait and hope the interest rates drop the 8 or 9 percent, but I'm going to tell you what happens when people wait in the real estate business. By waiting 2 years, the National Place as we had litigation on the site, the National Place that I mentioned earlier, next to the National Theater, including the National Theater, the Marriott Hotel and the office building, lost $50 million by waiting 2 years. If you wait and hope for a swing in the market down to the old days which may never come, I don't think we'll see low mortgages any more. Maybe we will, but if we wait for that, even if there is a partial approach to that, we've lost the factor of time and we've lost a lot of money. And I submit that we shouldn't wait for the future, we should do our job as the Congress told us to do, and we should self-destruct in 1990 or 1992 with the job well done.

We will have housing, we are committed to housing. Mr. Wiebenson is incorrect on his statements that we're probably not going to have housing, and I would conclude my answer with one remark. Under the plan, we did not abandon housing prior to coming before the Congress for approval to do such. We don't intend to do that. The law says we can't do that. The law says, and I think it's a good law, and Mr. Wiebenson knows this, any significant plan change that PADC must come to the Congress for approval.

What is a significant plan change? Anything that affects 10 percent of the cost of the plan. Housing could, the departure from housing would be far more than the minimum requirement for significant, we have no plans to abandon this. Had we plans as allegated or alleged, I should say, we would by law have to come here.

The other amendments that have been subscribed to, first of all, the OMB opposes it for good reasons. The one on historic preservation, we are applauded by the historic preservation groups for our efforts. I and my staff are very mindful of historic preservation. In the in-field site which I have mentioned, we are saving far more buildings than the plan envisioned. Therefore, in my opinion we do not need a new requirement for historic preservation.

And I might add, in our annual report on historic preservation my opinion which we submit each year covers the subject adequately and it would be unnecessary to have it. As far as coming in each time to make a change, I think the law is adequate on this point. If it's a significant change we'll come to the Congress. If we're going to change the corners from 6 inches to 12 inches or if we're going to have 1,400 units instead of 1,500 units and it's less than 10 percent, I don't think we should come to Congress every time we make a change. We make them every day, it's a development business. I think the law is wise and adequate on that.

So I would not agree with those amendments. The administration does not agree with those amendments. I will assure you that we are as dedicated to the principles of the 1974 plan that Congress laid out as anybody in this room, or out of this room. We are very dedicated. We will have the housing, Mr. Chairman.

Senator WALLOP. Thank you, Mr. Berry.

Mr. Wiebenson, do you have those economic studies?

Mr. WIEBENSON. No sir. I have made no economic studies at all. The only thing I've done is to compare current plans with 1974 plans. My expertise runs into urban design architecture and planning and not into financing.

I think it's still a fact that PADC in this report here on their eastern sector says they want to cut back to 1,200 units. Their staff told me that each unit was going to be 800 square feet average and if it's 850 that's better and that's fine, but I would still multiply 850 times 1,200 units and find a substantial drop, more than 10 percent, from the 1974 plan.

Now I think our point wasn't to say that these things are easily possible. I think in my testimony today I said that there are problems all over the country. I'm an architect. I notice some of our clients having problems on financing their projects. So I'm not going to deny that there are no problems. We are just saying as we have said again and again, the 1974 plan is great enough to attempt to do, and not just make another K Street with fancy details. And we have said here that there are three or four different ways. Among them would be help from Congress, just plain out and out cash. If you call it a subsidy then it's a subsidy. If you say it's support for the 1974 plan then you can call it that. I think the alternative to say that this is evil to subsidize housing is crazy and then turn around and say it's okay to subsidize by the tens of millions great big paved areas, just knocking down more and more of the taxable portion of the city in order to make bigger sidewalks and bigger squares and say that that's meeting the 1974 plan. It's not.

Tourists don't cross the Avenue to go to bigger sidewalks. They would cross the Avenue if there was a much more active city over there. Something full of vitality, and there would be greater vitality if you had people living there. You can see that by comparing Connecticut Avenue north of Dupont Circle, which is a housing area, and an office area and a hotel convention area, a mixed use area. It's very successful, it's very lively. Compare that to K Street, an office area. My fear, and I think the fear of a number of organizations, citizen organizations in town is that gradually the 1974 plan is turning from a mixture area, an active area, into another office area, and we just would do anything we could to help PADC do a better job there.

I think it's just to remind them that they have more goals in the 1974 plan than just to make new sidewalks.

Senator WALLOP. Thank you.

Mr. Berry, what is the status of the Willard? Is it going to survive?

Mr. BERRY. Yes, sir. I'm glad you asked the question. It's what we call the crown jewel of Pennsylvania Avenue. The Willard right now is under work on the interior of the building and I'm happy to report that since the Willard team changed somewhat to include Oliver Carr as the primary developer, that much activity is taking place. Developers already put in over $1 million into the project and they've erected a new fence around the Willard. To show you the team spirit we have with the developer here, they have placed photographs along that fence of the history of Pennsylvania Avenue. I think that's interesting because often you see buildings fenced in and its drab and this is actually a little show piece across from Pershing Park.

Major construction should begin on the Willard at the end of this year. The developers have a construction loan. They hope in a year or two to convert that to permanent financing should there be a swing in the market. We think that two very significant things are happening. One, the old Willard will be brought back in a historical way, preserved in its original state and enhanced, so that as you remember, you will have Peacock Alley again, Round Robin Bar, and you'll have nice rooms. It will be 350 to 400 room deluxe hotel in the Hay Adams or Madison class.

The architecture for the in-fill site will be very beautiful because these buildings done by Hardy Holstman designed in New York, will be on a slant of the Willard with the courtyard in front overlooking the park and the buildings will be in the architectural style of the Willard. This will be interesting because there will be office buildings. It won't be typical of modern office buildings, it will be a rather unique design.

Also, in the Willard office area will be white, kind of nice shopping. This is the Tiffany, Cartier-type shopping that will be there, so we're very encouraged that it's moving forward and we're very encouraged that we found a team that puts money into it. They are serious developers. They are very proud up there. Local people for many generations back, and they've gotten a primary developer and he's looking at this as he tells me, as something like a contribution to the city, to give something back for what he's taken out.

In about early 1985 we'll be able to put some of your constituents there who can afford to stay in a deluxe hotel.

Senator **Wallop**. If they stay there we'll know something else about them too.

What about the arcade? What's the timeframe on that?

Mr. **Berry**. I think that will be quite exciting. It will be the first of three or four major and unique shopping areas that we'll have on the avenue. An agreement has been reached between the Marriott team and the National Press Club team to both employ Jim Rouse to design the three-story atrium shopping arcade. The National Press Club and Marriott each owns half of this area, so it was a negotiation which they had to agree first to have the same developer and the same kind of scheme. This has now been done. It took about 2 years to do.

The quadrangle Marriott, the first half of their arcade will be completed, I'm told, by the end of 1983, between November and December.

The Press Club will be delayed another 6 or 7 months so that we will have, nevertheless, the whole shopping area done sometime in 1984. It's envisioned. It will be interesting because you can picture yourself in the National Theater. You'll be in a larger lobby than now exists. If you're at intermission and you want to do more than just stay in the lobby and it's cold outside and you don't want to go outside, you can actually go into the lobby of the Marriott Hotel. Then if you want, maybe if it's a bad play and you don't want to go back you can take your wife and your family or escort and you can go up into the shopping area. Because the one thing that I want to stress that is our goal is not to have the ticket office and all in our area, we're not going to have that. We want to have interesting shopping that stays open in the evening hours so that people will be drawn to the avenue. We're more desirous of life after dark on our avenue than anybody. So therefore we need a shopping area, it will be a day and night thing.

So I'm excited about it and you'll see it soon.

Another little thing, you'll see a sidewalk cafe open any day now at 1201 Pennsylvania Avenue. The Bread Oven is opening up there soon. Joe and Moe's goes inside the building. But think of this, 12th and Penn 3 years ago, that was a bad neighborhood. Who would have thought we would have had a sidewalk cafe?

Across the street two more next year, from the old Post Office. And inside the old Post Office, a whole line of international restaurants and boutiques, and probably one of the most beautiful buildings in the United States, and they would have torn it down at one time. People advocated this. I'm told one of the reasons they didn't is because it was built so good they couldn't knock it down.

Senator **Wallop**. I appreciate your time Mr. Wiebenson and Mr. Berry.

Mr. **Wiebenson**. Could I add one point, Mr. Chairman? With regard to the old Post Office, people like me testified in 1971 not to this committee, but to your counterparts in the House, that the old Post Office building should be saved. At that time we were challenged on financial grounds, that we could not afford to save the old Post Office building. Metropolitan Washington Planning and Housing testified again and again at all the appropriate committees. So did Don't Tear it Down and several citizens' group also testified. Every official body, the Fine Arts Commission and PADC's predecessor commission all testified to the need to tear down the Old Post Office Building. I think history now shows that we are on the right track. GSA even now says that we should save things like the Old Post Office Building. Ten years from now we're liable to look back on PADC's history of planning Pennsylvania Avenue, and at that time it's going to be very easy to see if we should have kept to the 1974 scale of housing or not. I hope that we can look back and say we did the right thing instead of looking back and saying we missed our chance.

Thank you very much.

Mr. BERRY. The interesting thing about the plan is that in our housing area there is no requirement to save any buildings, and yet we're saving many many other distinguished buildings, the Lansburg Building, and yet we're getting the housing, so we're actually going way beyond legal requirements to save old buildings, and I agree that Mr. Wiebenson did the right thing in 1971 in testifying to save the old Post Office. Had I been here I certainly would have done that, too.

But we want to repeat our request to have you, at your convenience, or Mr. Bevinetto or anyone else associated with the committee, to take an hour walking tour. I'd like to give you lunch at Pershing Park. Several Senators have asked us to put their name on the list which we have a list of 93 people being interested in perhaps purchasing a condominium in our eastern sector area, and there are some that will get started this year. Because of its proximity to the Hill and because of the interesting area it's going to be, so we want all kinds of people living in our areas.

Senator WALLOP. Even Senators?

Mr. BERRY. Even Senators.

Senator WALLOP. Well, I will take you up on the walking tour sometime.

Thank you very much. The subcommittee stands adjourned.

[Whereupon, at 11:30 a.m. the subcommittee was adjourned.]

[Subsequent to the hearing Mr. Berry submitted the following:]

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION
425 THIRTEENTH STREET N.W. WASHINGTON D.C. 20004

August 13, 1982

The Honorable Malcolm Wallop
Chairman
Subcommittee on Public Lands and
Reserved Water
Committee on Energy and Natural Resources
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to respond to testimony concerning the Pennsylvania Avenue Development Corporation presented by a representative of the Metropolitan Washington Planning and Housing Association (MWPHA) at our July 30, 1982 hearing before your subcommittee. MWPHA's representative made a number of statements that are either factually incorrect or contain misconceptions about the intentions of the Corporation. The information contained in this letter has been shared with MWPHA on numerous occasions, both in formal correspondence and personal meetings over the past two years, in an attempt to demonstrate to MWPHA the Corporation's sincerity in pursuit of the 1974 Plan's goals and the impracticality of some of their suggestions. The record shows that many of their comments have been favorably received by the Corporation and reflected in our planning efforts.

As background, the Corporation conducted a lengthy study in 1980 and 1981 which assessed the feasibility of developing the project area east of the FBI building in the way prescribed by the Corporation's Pennsylvania Avenue Plan - 1974. The study was a joint effort of the Corporation staff, an outside architectural firm, a real estate economic feasibility firm, a historic preservation firm and incorporated public comment from various local interest groups, the business community, property owners and tenants.

The conclusions of this comprehensive study are as follows:

1. The original program of uses for the area as described in the 1974 Plan is no longer feasible from an economic and urban design standpoint.

2. The commitment to the housing component of the Plan remains the key policy statement of the Corporation.

3. An increase in the office component of the program of uses (to a level that is still significantly below allowable zoning yet greater than the 1974 Plan) will provide the incentive for obtaining housing at no cost to the federal government.

4. An in-fill approach to development is preferred over the 1974 Plan's "superblock" approach. The in-fill strategy will provide for greater historic preservation opportunities.

Since the 1974 Plan was approved by the Congress, the entire PADC project area, including the eastern project area, has become an attractive site for office construction. The 1974 Plan, by way of contrast, assumed that only a modest amount of office space could be supported by the market in this area. As a consequence of this perceived weakness of the office market in the 1974 Plan, the Plan acknowledged that in excess of $20 million in federal subsidy would be required to make the volume of housing proposed for the area east of the FBI building a reality.

This $20 million subsidy results from the fact that the proposed housing is to be constructed on commercially-zoned land in downtown Washington, D.C. Since the investment return for commercial development is greater than the return for residential development, every time housing is proposed on commercially-zoned land in Washington, D.C. and elsewhere, someone has to bear the cost of the difference in the return to the developer. Clearly, considering Pennsylvania Avenue, the Federal Government would have to pay this differential cost.

As stated above, one of the conclusions of the recent study presents an alternative to the otherwise inevitability of a required subsidy in order to effect housing along Pennsylvania Avenue. Elimination of the loss to the Federal Government was pursued by PADC at the direction of the Office of Management and Budget under both the Carter and Reagan administrations. By increasing office density in the eastern project area -- from approximately the one half million square feet total proposed in the 1974 Plan to approximately 1.6 million square feet -- the required subsidy for housing could be reduced substantially and perhaps eliminated altogether. In order to accommodate this increased density for office space and provide for additional historic preservation in the eastern project area, the number of planned housing units would have to decrease from 1500 units to 1200 units. It is this latter fact that MWPHA is concerned about and has addressed in the testimony before the subcommittee on July 30.

I would now like to respond to the specific charges made by MWPHA in the written testimony, on a point-by-point basis:

1. On page one of the testimony, MWPHA criticizes the PADC for cutting back on both numbers and sizes of housing units. It is essential to reduce the number of housing units to below 1500 units in order to provide for the increased office density which will serve to eliminate the necessity for a housing subsidy on the part of the Federal Government and to provide for the in-fill approach resulting in greater opportunities for historic preservation. The reduction of the planned size of each housing unit is a reflection of the realities of the market place; developers nation-wide have reduced the size of intown dwelling units to make them more affordable in this era of high cost housing and exceedingly high mortgage interest payments. Also, current market studies show that housing mix contemplated in the 1974 Plan is not feasible in this downtown location. Since the District Government does not have the resources to support the larger families associated with two and three bedroom units (schools, medical facilities, recreation), this segment of the market will never be present in this location. Therefore, it would not be a reasonable decision to provide the larger units.

2. On page one MWPHA charges that the Corporation's study, if implemented, would transform the planned housing area into just another office area. The fact is that a community having 1200 housing units and over 200,000 square feet of retail in an eight block area, blocks complemented by art-related uses, restaurants, antique shops, and other people-oriented retail collecting points, located adjacent to major open parks (Market Square Park and the planned Indiana Plaza) is far more than just another office area.

   The Corporation's commitment to historic preservation as evidenced by the recent study's in-fill approach to development will ensure that this area will be a special place to live.

3. On page two MWPHA indicates that 1200 housing units, as recommended by the 1981 study, produces too few residents and that the area will be just as "dead" as it is now. It is difficult to imagine how 1200 housing units, which translates to approximately 2400 residents in an eight block area, will leave the area unchanged in character. Clearly this magnitude of population will create the round-the-clock population along Pennsylvania Avenue included as a major objective of the 1974 Plan. More importantly, however, is the relationship of our residential units to the larger downtown area. The Corporation has participated in the recent planning by the D.C. Government for the old downtown. Our 1200

units will be an integral part of the District's overall goal of up to 9,000 units extending along the 7th Street corridor through Chinatown and northward.

4. On page two MWPHA says that the only shops and services that will be found in the housing area will be banks and Xerox shops. The Corporation has always emphasized to developers, and will continue to emphasize to developers, the need for restaurants, cafes, arts and crafts shops, antique stores, and the like. These latter kinds of uses contribute to the objective of attracting people to the Avenue on more than just a nine-to-five basis. The Corporation has no intention of allowing just banks and Xerox shops to exclusively occupy the first floors of development projects which it approves for the eastern project area. Our success with this matter is evident in the retail planned for the Willard project and actually under development in the Old Post Office and National Place projects (surrounding the National Theatre). Also, the already-opened development at 12th and Pennsylvania contains two new restaurants and sidewalk cafes -- the first new such establishments on the Avenue in 20 years.

5. On page three MWPHA suggests that the current financial situation will change, such that interest rates will come down and housing will be more attractive on Pennsylvania Avenue. There is no doubt that housing will be more in demand on Pennsylvania Avenue if interest rates come down, but then so too will commercial space. The end result is that land prices in the eastern project area will increase, thereby maintaining the differential between the cost of commercially-zoned land and residentially-zoned land. As a result, the need for, and the magnitude of, the federal subsidy required to produce 1500 housing units amid just 500,000 square feet of office space will be maintained by the improving financial situation. It is the opinion of the overwhelming majority of the parties interested in the PADC area that the project proceed at this time rather than wait for some undefined "better time." The revised plan, if implemented, will meet the goals of our Plan with no requirement for a federal subsidy.

6. On page three MWPHA recommends that the program for Market Square Park and other such parks be eliminated. One of the underlining principles of the 1974 Plan is that a total transformation of the Pennsylvania Avenue corridor between the Capitol and the White House requires more than just redevelopment of the squares along the northern border of Pennsylvania Avenue. Hence the creation of public parks and plazas as well as improved

sidewalks are a very important ingredient in the effort to transform Pennsylvania Avenue into one of the great avenues of the world. Absent the parks, plazas, and other public area improvements, Pennsylvania Avenue will lack the total facelift envisioned by the 1974 Plan. A combination of vastly improved public spaces and the renovation or new development on the squares will produce the physical and aesthetic transformation that the Avenue needs.

Aside from the aesthetic goals discussed above, there are practical and objectivly measurable economic reasons for installation of the public amenities. The investment of the Federal Government is the catalyst that demonstrates the Corporation's resolve to carry out the 1974 Plan. This investment is a guarantee to the financial community that, in the long run, the Corporation's effort will be successful. Evidence of the validity of this argument is the Corporation's western sector project between 10th and 15th Streets. Our Board decided to begin the turn-around of Pennsylvania Avenue by installing public improvements in the western sector and actively seeking private development to complement those improvements. To date, the Corporation's efforts in this area have attracted four major projects either underway or completed (at a total investment of the private sector in excess of $300 million) and two other valued at over $250 million in the final planning stages. It is especially important that this commitment be continued in the eastern sector area because of the current unstable economic climate.

7. MWPHA, on page three, suggests that the 1981 Tax Act will make rental housing, as well as sale housing, feasible on Pennsylvania Avenue. There is nothing to suggest that the 1981 Tax Act has made any impact whatsoever on the propensity of developers to construct rental housing throughout the United States. There is no point in arguing this issue, however, because the market place will ultimately determine the type of housing to be provided. It is not unreasonable to expect that developers will provide the type of unit (rental or sale) that will yield the greatest return. In certain situations, rental units may prove feasible.

8. On page four, MWPHA recommends that the amendments added by the House of Representatives' Interior and Insular Affairs Committee to the authorizing legislation which your subcommittee is considering will make the Corporation become more accountable to Congress. We have

always recognized our accountability to the U.S. Congress, and to the committees who have oversight responsibilities for our activities. The staff of the Corporation has recently been directed to transmit information to the appropriate committees on a regular basis in order to keep you informed of current activity.

9. On page four, MWPHA charges that the Corporation's "real" objectives are different from the ones established by the Plan. I categorically and emphatically deny this charge, and can only state that MWPHA is doing a great disservice to the Corporation and staff by this allegation.

10. On page 5, MWPHA suggests that the Corporation be dissolved by the Congress because of the Corporation's lack of committment to housing. The Corporation remains as committed to housing at this time as it was when the 1974 Plan was prepared and approved. Unfortunately, MWPHA fails to recognize the several, often competing goals of the Corporation. The recent study provides an analysis of the elements involved and clearly delineates why the number of housing units is under consideration for a reduction from 1500 to 1200. Assuming the study's conclusions are adopted, however, a sufficient "people presence" is created by the development of 1200 units, especially when viewed in the larger context of the old downtown area as discussed in item 3, above.

    It is important to note that the fundamental MWPHA position concerning the number of housing units is not feasible for two reasons:

    a. The scheme proposed by MWPHA will require a federal subsidy of up to $40 million. The Corporation reviewed this scheme at least two times over the past year and has informed MWPHA of our economic findings. MWPHA has never responded to this issue except to say that funding should not be a criterion.

    b. MWPHA proposes larger units than our study proposes. It makes no sense to install units that will never be accepted in the market place. The single most important consideration in the eastern sector is to create a success story that will encourage further development. Nothing will lead to continuation of the current blight faster than ill-conceived projects that stand vacant.

It is important to note that the 1981 study of the eastern project area has not yet been translated into a plan for action. The Board of Directors of the Corporation, however, is considering adopting the recommendations of the study. Should the adoption of the study's recommendation constitute a change so significant to the 1974 Plan that Congressional approval is first required, we will of course be contacting the subcommittee. In any event, we will inform you of proposed actions of our Board.

I hope that this letter is helpful in clarifying some of the issues that surfaced at our hearing before the subcommittee on S. 2752. Just as importantly, I hope that the subcommittee is assured that the Corporation has no less a commitment to housing than it ever did, and that housing is a major element of the program which must occur if the objectives of the Congress and the 1974 Plan are to be achieved. It is difficult to imagine any federal program not attracting some criticism, sometimes justifiable, but the criticism that has been directed at the PADC by MWPHA is simply unjustified and, in my opinion, irresponsible. The Corporation and MWPHA have had a long dialogue on this subject, and while we all appreciate the sincere interest in creating housing on the Avenue, we must fault MWPHA for its inability to recognize some of the realities that this Corporation and the Federal Government face in implementing a plan which would call for housing units in excess of the number that is economically feasible.

For your information, I am including as an attachment to this letter a written summary of a public information session which was held by our Board of Directors last April to discuss the results of the 1981 study. MWPHA was present at this session.

I would be happy to discuss the results of the 1981 study with you or your staff at any time to further clarify its results and our progress in reviewing it. Thank you.

Sincerely,

Max N. Berry
Chairman

LIST OF TABS

- A – Prepared Statement of Max N. Berry, Chairman, Pennsylvania Avenue Development Corporation
- B – Prepared Statement of John Wiebenson Board Member of Metropolitan Washington Planning and Housing Association .
- C – Prepared Statement of Karen Gordon Don't Tear It Down
- D – Comments of Richard K. Juergens, Jr. President, Frank S. Phillips Mortgage Corporation
- E – Comments of Barbara R. Kornblatt Director, B.R. Kornblatt Gallery
- F – Statement of Marion K. Schlefer Chairman, Committee of 100 on the Federal City
- G – Comments Package on the Eastern Sector Received by PADC from various individuals and organizations
- H – List of Speakers Appearing at the Public Meeting on the Eastern Sector Report on April 23, 1982
- I – List of Guests Attending the Public Meeting on the Eastern Sector Report on April 23, 1982
- J – Letter of Representation for Advisory Neighborhood Commission 2C
- K – Statement of Jonathan Esman Submitted for the Record at the Public Meeting on April 23, 1982
- L – Statement of Al Nodal, Executive Director Washington Project for the Arts

PUBLIC INFORMATION SESSION ON THE EASTERN SECTOR REPORT

Lansburgh Building: OPD Conference Room

Friday, April 23, 1982

SUMMARY

The Public Information Session called by Max Berry, Chariman of the Pennsylvania Avenue Development Corporation, was called to order at 10:10 am. In a prepared statement read by Mr. Berry, he expressed the purpose of the hearing, welcomed everyone on behalf of PADC and gave background concerning the Corporation and the Eastern Sector.

Mr. Berry informed all present that the session was being recorded.

Mr. Berry's complete prepared statement is attached as Tab A.

PADC Board members present were: Cora Beebe, Helen Scharf, Jim Gibson, Thomas Peyton and Charles Atherton representing J. Carter Brown.

The public comment began at approximately 10:20 as Mr. Berry called the first witness, Mr. John Wiebenson of Metropolitan Washington Planning and Housing Association, who was accompanied by Mr. Howard Cayton.

In general, Mr. Wiebenson stated he and others at MWPHA agreed with the contents of the study and thanked PADC for making this forum possible to hear and act upon concerns of the community. They see the

Eastern Sector as the keystone in the redevelopment of the Avenue and see the goals of the 1974 Plan achievable, but very challenging. He articulated the three areas that they feel need greater attention and the reasons therefore. He also mentioned the areas of the study that they disagree with and gave suggestions that could be taken to achieve the necessary goals as far as finances and use of the land area is concerned. They feel Congress has a great part to play in the success of the Plan for the Eastern Sector and suggest PADC go to Congress for assistance in areas that would require changes in laws, and in amounts of money appropriated.

Before concluding his remarks, Mr. Wiebenson showed a drawing done at MWPHA as an alternative to the plans PADC now is considering for the area. He explained the differences and concluded his remarks by leaving open the door for a sharing of views between the two organizations.

Mr. Wiebenson's complete prepared statement is attached as Tab B.

There were a few questions put to Mr. Wiebenson by the Chairman. Ms. Beebee asked for an explanation of the drawing. There was a request from Mr. Cayton for written response to the essential points made in Mr. Wiebenson's statement. This testimony was concluded at approximately 10:50 am.

The next witness called was Karen Gordon of Don't Tear It Down. Ms. Gordon opened with congratulations to PADC on the Eastern Sector Report. She also expressed joy with the fact that the plan called for retention of buildings that they feel are functioning and contributing idea of the old being integrated with the new. She expressed uncertainty as to the status of the Corporation's January, 1982 Historic Preservation Report to Congress as it related to the Eastern Sector Study. She cited one particularly positive element of the Historic Preservation Plan, and that is the absence of proposals for moving buildings and relocating facades. They do question, however, the fact that there are some buildings that fall into a highly significant category that are not in the preservation program of the Eastern Sector Study (buildings at 9th and Market Space).

There were two issues mentioned that her organization finds objection to in the Report: (1) failure to preserve the four buildings on Market Square, and specifically stated the cast-iron fronted Hume Building; and, (2) the proposed bridging of D Street between 7th and 9th. They find it unnecessary and an intrusion into the public space.

Despite their general agreement with the Report, they question whether its plan will ever be implemented. She cited two reasons for their concern dealing with (1) the Atlantic Coastline Building that approves only preservation of its facades and (2) the proposed demolition of the building at 625 Indiana Avenue.

They feel the Eastern Sector Report will not be adhered to and stated their support is based mainly on the feeling that references to preservation mean just that. She stated most emphatically that Don't Tear It Down finds the exclusion of the Market Square buildings from the preservation program to be indefensible.

She concluded by expressing her gratitude to the Chairman for calling the meeting and opening discussion on the report to public forum, and stated they will be more encouraged when the suggestions and reservations stated are acted upon.

Ms. Gordon's complete prepared statement is attached as Tab C.

Mr. Berry made a few brief comments after Board members present had no questions. Ms. Gordon's testimony ended at approximately 10:59 am.

The next witness called was Mr. George Hartman of Hartman-Cox. He wanted to express his support for the proposed changes to the 1974 Plan. He feels the more developers/owners/uses in a block, the more interesting it is likely to be. He feels there has been good progress in going from the very first Plan to the 1974 revision, each of them being responsive to development, citizens and architects, etc. At the conclusion of his statement, Mr. Hartman thanked the chairman and asked if there were questions. Mr. Berry had a few comments and questions concerning housing. Mr. Hartman's statement lasted approximately 4 minutes.

The next witness introduced was Mr. Simon Hershon of Hershon & Company. Mr. Hershon's statement was made verbally from handwritten notes, commencing at 11:07 am. He stated his company is the developer of the Apex Building and very much concerned about what goes on in the Eastern Sector. He stated his review of the Plan is quite favorable. He is impressed by it in general and feels it is a good sound foundation and a good basic plan to which revisions can be made to reflect marketplace and commercial is good, and the commercial increase will be a help in subsidizing the housing without cash outlay. He feels historic preservation issues are addressed in a careful way. He feels development projects can be better managed in a smaller and in more manageable aspects. He feels the Plan has the basic guidelines developers look for, and they also look for economics and flexibility, both of which appear in the plan. He personally feels the Plan is workable and he feels there will always be aspects criticized or modified, and it is subject to revision as necessary.

He concluded by saying he would endorse anything that brings more life to the Eastern Sector.

The Chairman thanked him for coming. There were no questions from Board members.

The next witness introduced was Mr. Morton Lebowitz of Tomijon Corporation. Mr. Lebowitz's statement was also given from handwritten notes. He started by stating since 1935 he had been operating Morton's store just down the block and that store was closed just a couple of months ago. He stated he is here because his family owns a parcel in Square 457.

He listed some of his credentials over his years in the D.C. area and went on to say he is undertaking as a volunteer to argue for the people without solicitation. He is here to argue for the city -- the deterioration of the city in the center and accumulation of poverty in problems in DC can be helped by employment and more tax base. He therefore feels downtown should be a people place. However, he feels that doesn't mean people should live in downtown. He recounted some of his time as a young man commuting to downtown and Times Square in New York. He feels a residential downtown is not good. He would hope to have good restaurants downtown, but would not want to live in a building where the garbage from a restaurant is left under his window. He expressed particular concern regarding Square 457 and the hope that it is not developed as residential.

He feels, therefore that residences downtown should not happen and if it is not too late to reconsider, he would ask reconsideration of this plan. He feels there are organizations and people who are not aware of this plan who would object to it.

His statement was terminated at 11:20. After being thanked by the Chairman, questions were solicited. Ms. Beebee stated she has heard arguments for housing just as he is arguing against it. She feels there should be less spread to the suburbs and more activity on the streets downtown at night. She asked if he would speak a bit more of his concern for no housing on Square 457 and whether or not he has a feel for any special area in PADC's purview where housing might be more appropriate. He feels he is against housing in downtown overall.

The next witness called was Mr. Dick Jurgens of Frank Phillip Mortgage/ Mortgage Bankers Association. Mr. Jurgens stated he had no prepared remarks for handout, but stated he would submit something in

(His comments have since been received and are at Tab D.)

He basically commented concerning how mortgage companies, life insurance companies and pension funds feel about the structure of the Plan. They applaud it and feel it is workable. He feels it is something they can work with on financing. He stated money is available, but expensive, and that is where the problems come in as far as the Plan is concerned. Financing of office buildings and retail space can be done easily However, residential/condominium use is more difficult because of people who have to buy cannot afford to borrow the money. He feels a reduction in the number of residential units might facilitate financing. He also feels if the project sizes can be scaled down to more manageable levels it would be easier for facilitating development in the area and stimulating interest.

He mentioned in the rehabilitation area financing can be available, but it is more difficult and more expensive.

Mr. Jurgens' comments took approximately 3 minutes and the Chairman then solicited questions. Mr. Berry asked about predictions on lowering of interest rates. Mr. Jurgens felt rates are now 16.5 to 17 for residential at banks or mortgage companies and feels it will not improve much in the short run. He did make mention of use in Prince George's County of pension funds for the residential market and feels things of this nature will help bring rates down. Mr. Berry asked further about the types of mortgages and asked for comments about new innovations. Mr. Jurgens stated there are many types to try to make purchase of homes workable. Mr. Berry asked that he keep in touch from time to time for exchange of

The next witness introduced was Barbara Kornblatt of the Kornblatt Gallery which the Chairman mentioned is located just next door. Ms. Kornblatt had no prepared statement, but used handwritten notes.

She stated she came to this area in the fall of of 1980 from Baltimore. She had a gallery there for five years. She mentioned she was on the Charles Street Association Board of Directors and therefore has some experience with downtown activity, which she feels is important. She feels the 1981 Report is a vital piece of reading. She feels 50,000 feet of space for the arts is low for art in the community. She feels limiting the arts keeps a lid on growth of the arts. She feels the growth in the Eastern Sector could allow for a nationally recognized center for the arts and keep housing in the surrounding sectors. She does feel housing belongs in downtown, but does not feel you can take 8 blocks in this sector and divide it into everything. She mentioned housing areas in other areas of town which allow for easy access to the sector by foot, such as Foggy Bottom.

She also addressed the closing of 8th Street and D Street. She feels with F street already blocked there is very little access to the community and the traffic pattern is very difficult to follow. She would favor closing these streets only if F Street were to be reopened.

She then addressed the "monument." She feels the space is too small for the memorial and the park to accommodate 1500 seated performance facility. She feels a park would be deterimental to the economy of the area, and feels the area between 13th and 15th Streets where there are

In general, she feels the Report is a very fine improvement over the design that existed in 1974 and feels it considers the activities that have developed over the last two to three years.

This concluded her statement. There was a question from Jim Gibson regarding her concern of the 50,000 sq. feet for the arts. He explained that the plan refers to that institutional arrangement within Lansburgh's, not the galleries and other activities throughout the sector. Ms. Kornblatt said she was unclear on this, and though there was little mention of arts in with the retail, she feels the retail would have to be enlarged to include the needs of restaurants, food services, and the growth of the arts. Mr. Gibson wanted to underscore that while some controversy exists about limiting the size in Lansburgh's to 50,000 feet, it referred only to what is in that building.

The Chairman solicited questions from the Board members present. There were none. The Chairman then asked Ms. Kornblatt how her gallery was doing and she said very well, with people from all over the world coming in. Ms. Scharf asked the location of the gallery. The testimony took approximately 6 minutes.
(her statement has since been received and is listed as Tab "E".)

The next witness was Ms. Marion Schlefer of the Committee of 100, who read from handwritten notes. She began by commenting on the PADC gidelines published in the Federal Register in 1980, the Committee of loo discussed the rules concerning urban planning and design features of the Avenue Plan, and most of the information in the urban planning and design concerns were applauded by them. Their main concern was at that time and still is today, however, that implementation of these considerations

They are gratified to see the concern that the Eastern Sector Plan shows about the history of the city. The proposed changes from the 1974 Plan that are included in the November 1981 Summary that they can relate to are a less formalized design concept with new construction concentrated along the Avenue which does not call for single monolithic structures, increased emphasis on preservation of existing street scapes and street patterns, reduction in the massiveness of design concepts and superblock approaches, parcelization, and reduced height on 7th Street in keeping with historic preservation objectives and increased height in other locations where consistent with the scale of existing development and accent points.

They feel, that even with these, there are areas where PADC does not apply its own principles. The Market Square entrance is found to be overbearing in scale and is exceedingly formalized in design massing formulation. They do not understand the justification for the proposed form for the arch. The Committee opposes the location of the triumphal arch and bandstand as they feel it overprograms the area. Another location should be found for the memorial to prevent loss of valuable land and destruction of buildings on the North side of Market Square would be destroyed. The PADC January 1982 Historic Preservation study has identified these buildings as deserving consideration for preservation and they were cited informally as worth preserving.

At the conclusion of Ms. Schlefer's presentation the Chairman solicited questions. Ms. Scharf requested a copy of her statement because she felt it was so well done. Mr. Gibson echoed that request. (Her statement has since been received and is included as Tab "F".)

The next witness called was Al Nodal of WPA. Mr. Nodal spoke from handwritten notes, and addressed mainly his concerns about the galleries having to move from 7th Street because of the plans for the Market Square area. Also, he felt if they stay on 7th Street, he would want to move from the basement of the Lansburgh Building because he feels art needs light. He has no problems in general with the Eastern Sector Report.

The Chairman thanked Mr. Nodal and suggested he keep making the same type statements made here in other forums. Mr. Gibson agreed. Mr. Berry requested submission of Mr. Nodal's comments in writing for the record. Mr. Nodal will submit same.

The next witness introduced was Robert Lennon, developer for the Gallery Row project. Mr. Lennon talked from handwritten notes and spoke very favorably of PADC and its work. He feels the Corporation is doing a good job and is very much needed. He said he feels the Plan is close to what the groups want, but stated he knows everything cannot be done to please everyone at the same time. He expressed the fact that there are already too many malls and no more are needed, especially those similar to the one on F Street, with its stone benches and barricades. Closing off the streets causes less traffic and thereby less people on the streets. The streets are needed for travel to and from downtown. He wants more space for the arts, but not unreasonably so. His

Mr. Berry noted that Mr. Lennon was the last speaker listed, but asked if anyone else wanted to comment or take the chair to be heard. Mr. Gerg Reynolds of the Greg Reynolds Dance Quintet asked to be heard. Mr. Reynolds mentioned he has space in the Lansburgh Building and was concerned the article he had read in the Washington Post about the financial problems of the building. He wanted an explanation of that situation, and whether there had been any discussion about the building during earlier parts of the meeting, since he arrived late.

The Chairman addressed his concern personally and stated that there was a favorable comment today about PADC 's plan to provide 50,000 feet of low rent space in the building for the arts groups, and that that space not be slated for the basement of the building, nothing about the financial problems.

Mr. Reynolds asked to be placed on the mailing list for notification of future meetings and was asked by the Chairman to give Ms. Austin his mailing address for future use. The Chairman then asked that further comments or suggestions be sent in writing to PADC. Mr. Reynolds stated he had previously thought of PADC as a monumental power figure and he is happy to know after today that there are real people there and he was happy for the opportunity to speak today and will take advantage of the invitation to meet with the staff at some later date for a briefing.

Mr. Berry then recognized Mary Terrell of Arrington Dixon's office, who wanted the record to show her attendance on behalf of Mr. Dixon who was interested in the hearing, but had a prior commitment.

The Chairman then called on Tom Regan, Executive Director of PADC, to make a few remarks. Mr. Regan wanted those present to know there is a package available which contains comments received to date at PADC on the Eastern Sector Report and stated it can be obtained from our offices or here at the hearing, since there are a few available. Mr. Regan stated this package will be made a part of the record from today's hearing and any other comments anyone wished to make to be contained in the record could be submitted to PADC until May 3rd.

The PADC package is included as Tab "G".

The Chairman closed the meeting by thanking everyone for attending and stated as Mr. Regan had done, that written comments would be accepted until May 3rd and requests for exceptions would also be entertained.

The meeting ended at approximately 12:10.

COMMENTS ON THE EASTERN SECTOR REPORT

presented to the

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

April 23, 1982

Presented by:

Metropolitan Washington Planning
and Housing Association
1420 New York Ave., N.W.
Suite 300
Washington, D.C. 20005

(202) 842-1800

Good morning, my name is John Wiebenson, and I am a member of the board of the Metropolitan Washington Planning and Housing Association. With me is Howard Cayton, another member of MWPHA's board, and chairman of our Downtown Development Task Force. We are very pleased to have the opportunity to share with you our views on the plans for the Eastern Sector. We have said many times before that we believe it is imperative for planning bodies like PADC to hear and act upon community concerns and goals, and we see this meeting as an important step in that direction for PADC.

The Eastern Sector is the keystone in the redevelopment of Pennsylvania Avenue. By combining office space with substantial amounts of housing, retail, cultural and public space, the Eastern Sector truly has the potential for meeting the goals of the 1974 plan by creating a lively, vital area that will be a desirable around-the-clock neighborhood and also serve to attract visitors off of the Mall and into the City. To achieve this end, in the face of today's economic and political conditions will require an extraordinary effort. It represents a tremendous challenge to the creativity, resourcefulness and persistence of PADC. But we believe that it is a challenge that can be successfully met.

PADC has already made some great strides forward with the Eastern Sector report. The abandonment of the Italian village model, the allocation of space for cultural uses, and the sensitivity to historic preservation concerns are all significant improvements over the 1974 plan. However, these improvements are not enough to make the Eastern Sector successful in the terms articulated in the 1974 plan. We believe that there are 3 areas that need greater attention. These are:

1. Retail Space on 8th Street - The report calls for 8th Street to have a residential orientation, and while we support this suggestion, we feel that it is not sufficient. In an area as small as the Eastern Sector and with as many goals, no three block area should be devoted to a single use. 8th Street should be designed to draw pedestrians off of the Mall and Market Square and into downtown. The way to do this is to close the street to all vehicular traffic except the

minimum service traffic that is absolutely necessary, and then to fill the Street with attractive retail uses - restaurants, galleries, shops, sidewalk cafes. This will promote street activity to make the area more interesting and more secure. We understand that the current thinking of the PADC staff is to extend ground level retail space along all three blocks of 8th Street and to close the Street to all traffic except service vehicles. We wholeheartedly support this change, and we urge you to do the same.

2. Transportation - To fulfill the goal of the 1974 plan to make "it easier for people to cross from one side (of the Avenue) to the other and (give) them a reason to do so" is no simple task. We cannot count on a single element in the plan - in this case Market Square - to do the job all alone. Essentially, we are talking about achieving a circulation pattern. and this cannot be done without attention to the transportation system. We have suggested for several years that a transportation loop running from the Mall up 7th Street, across F Street and back down 15th Street to the Mall could have a tremendous positive effect on the number of tourists who venture into the Eastern Sector and the rest of the City. Getting this flow going would increase the revenues of merchants in the City at the same time that it would increase tourists' enjoyment of the City. Right now, too many tourists don't know what attractions the City holds or how to get to them. We recognize that transportation is outside of PADC's bailiwick. However, we believe that PADC could be a catalyst in the effort to establish a transportation loop. If you were to encourage the participation of the City, the Smithsonian and WMATA in this effort, surely you would succeed.

3. Housing - The amount and type of housing that goes into the Eastern Sector will be the key to the success of the entire area. It will be the residents who will make the area into a community. They will fill in the gaps in street life after the tourists have gone back to their hotels and the office workers have gone home. They will support the grocery store and other retail uses that make a neighborhood work, as the 1974 plan noted so wisely.

The Eastern Sector report calls for a decrease in units from the 1500 called for in the 1974 plan down to 1350 or less. At the same time, each unit is reduced from an average of 1,000 square feet to 800 gross square feet. We estimate that together, these changes would lower the population by 30-40% -- placing the success of the entire area in jeopardy. We believe, however, that there are a number of steps that PADC can take to increase the number of housing units in the Eastern Sector. No single step will result in the addition of hundreds of units. Nothing short of massive government intervention could achieve that. But, taken together, these steps could have a significant impact.

1. Redesign Market Square to make better use of the land. A space could be designed that would meet the need for public open area within the historic boundaries of Market Square. This would leave more land -- including land previously purchased by PADC at prices below current rates -- available for development. Of course, this would require a different design for the Navy Memorial. Redesigning Market Square along these lines would also enable PADC to preserve a row of noteworthy historic buildings on the block between 8th and 9th Streets.

2. Instead of asking Congress for money to acquire land to pave as part of Market Square, ask for an allocation to be used to increase the amount of housing and decrease the amount of office space in the Eastern Sector. This would enable PADC to achieve the goals -- and the level of population - of the 1974 plan that Congress approved. MWPHA will certainly do its part to support such a request.

3. Don't rush into developing all of the Eastern Sector. Market conditions now and in the immediate future are the worst that they have ever been for housing. In time, interest rates and competition from office space may both decline.

4. Waiting to pursue development may also allow zoning changes to take place in the Eastern Sector. If zoning were changed to conform with the plans for the area, land prices could be brought into line with the desired land uses. MWPHA is exploring ways in which it can speed up rezoning of the area. But even under the best circumstances, zoning changes take time. If land acquisitions and development

plans are completed before zoning changes occur, they will have little impact.

5. PADC must reexamine the market potential for housing and direct developers to the types of units that will best meet current demand. This should enable the maximum number of units to be built. The Eastern Sector report concentrates exclusively on condominiums. Yet projects throughout the metropolitan area that were originally intended as condiminiums are now being rented. This is a response to the simple economic reality that mortgage money is scarce and few people can afford it. A year or two ago, not many people would have predicted current market conditions. To us, this indicates a need to maintain sufficient flexibility in the housing plans to enable at least some units to be produced, no matter what conditions may exist. You might call it not putting all the eggs in one basket.

Further, we recommend that PADC explore the recent changes in the tax code that enhance the desirability and feasibility of rental housing. This will enable you to help developers find ways to build and market more units.

Third, we believe that more thought must be given to ways to market larger units, so as to increase the population in the Eastern Sector. For example, two individuals who, on their own, could not afford to rent or buy one bedroom apartments might be interested in units with two master bedrooms. These are being built in some suburban developments. Also, the phenomenon of the "group house" is well known in Washington. Rental units with two or three bedrooms could be marketed to this population, thus increasing population in the area and at the same time preventing developers from being stuck with empty units.

6. PADC owns quite a bit of land in the Eastern Sector, much of which (if not all) was acquired at rates below the current market price. This land should be targeted for housing development. We have been told that PADC has some excellent negotiators on staff--they should be used to maximize the number of housing units built by any developer who gets the opportunity to buy "cheap" land from PADC.

In addition to these recommendations, we see a number of policy questions that remain unanswered and that may have a substantial impact on the amount of housing that gets built.

1. The PADC Board must develop some mechanism to prevent housing from being whittled away on a case by case basis as each project is approved. We have already seen a decrease in units in the Westminster project, and the Pollin project has eliminated housing altogether. If this trend continues, the final number of units may be substantially below even the 1350 shown in this report. This would place the success of the entire Eastern Sector in jeopardy.

2. We hope that the PADC Board will establish a firm policy with respect to assisting developers to assemble land parcels. The money at PADC's disposal for this purpose is limited, and we believe that it should be reserved for assisting developments that will include housing. This is the land use that seems to be the most difficult to build, yet it is crucial to the plan. Therefore, it should be the top priority for receiving assistance. In return for such assistance, PADC should push developers to maximize both the number and size of housing units built.

3. We suggested earlier that housing in the Eastern Sector should not be limited to sales units, and that the market for larger units should be explored further. In addition to enhancing the marketability of units, there is a policy basis for these suggestions. Quite simply, that is that if there is ever to be any subsidized housing in the Eastern Sector, it is likely to be in rental units, and units larger than efficiencies and one bedroom apartments. We base this comment on our understanding of the history of housing subsidies in this country. PADC has always said that it would support the inclusion of subsidized units in its housing scheme. If this is ever to be a possibility in the future, it is critical not to close off the option now by only building sales housing.

4. To follow upon the question of subsidized housing, we note that on page 25 of the Eastern Sector report, the Corporation states that it "will encourage developers to implement innovative methods of providing subsidized units." What methods, if any, have been explored? And what steps has PADC taken to encourage

this action by developers?

Finally, we'd like to repeat that we are pleased that this meeting was called. We are always glad to share our views with you, and we hope that all of the comments you get this morning will be instructive. We also hope that this process will not end when this meeting is over, but that PADC will follow up by responding to the suggestions offered, and that this can be the beginning of an on-going dialogue between PADC and the local community.